

**NEW ISSUE – BOOK ENTRY ONLY****NON-RATED**

*In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (“Code”). In the further opinion of Bond Counsel interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”*

**\$3,415,000**  
**COMMUNITY FACILITIES DISTRICT NO. 11 OF THE**  
**SAN MARCOS UNIFIED SCHOOL DISTRICT**  
**SERIES 2019 SPECIAL TAX BONDS**

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

The Community Facilities District No. 11 of the San Marcos Unified School District Series 2019 Special Tax Bonds (the “Bonds”) are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the California Government Code), and the Fiscal Agent Agreement, dated as of November 1, 2019 (the “Fiscal Agent Agreement”), by and between Community Facilities District No. 11 of the San Marcos Unified School District (the “District”) and MUFG Union Bank, N.A., as fiscal agent (the “Fiscal Agent”). The Bonds are being issued by the District to: (i) acquire and/or construct certain school facilities eligible to be financed through the District, (ii) make a deposit to the Reserve Fund in an amount equal to the Reserve Requirement (as such terms are defined herein) for the Bonds (iii) fund capitalized interest on the Bonds, (iv) make an initial deposit to the Administrative Expense Fund, and (v) pay certain costs of issuing the Bonds.

The Bonds are payable from and secured by a pledge of certain Net Taxes (as defined and discussed herein) and certain other funds held by the Fiscal Agent. Pursuant to the Fiscal Agent Agreement, the District may not issue any additional bonds, notes, or other similar evidences of indebtedness payable, in whole or in part, out of Net Taxes, except: (i) bonds issued to fully or partially refund the Bonds; and (ii) subordinate bonds, notes, or other similar evidences of indebtedness. See “SECURITY FOR THE BONDS — No Additional Parity Bonds Except for Refunding” herein.

The Bonds will be issued in the denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable on March 1, 2020, and semiannually thereafter on March 1 and September 1 each year. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company (“DTC”), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Fiscal Agent, as registrar, paying agent and fiscal agent for the Bonds to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Fiscal Agent’s books as of the 15th day of the calendar month immediately preceding each interest payment date. See “THE BONDS” herein and in “APPENDIX G – Book-Entry-Only Provisions.”

The Bonds are subject to optional redemption, mandatory sinking fund redemption, and special mandatory redemption from prepaid special taxes as described herein. See “THE BONDS – Redemption” herein.

**See “SPECIAL RISK FACTORS” herein for a discussion of the risk factors that should be considered in evaluating the investment quality of the Bonds.**

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COUNTY OF SAN DIEGO (THE “COUNTY”), THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF 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 SCHOOL DISTRICT NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM CERTAIN AMOUNTS DEPOSITED BY THE DISTRICT IN THE BOND FUND, REDEMPTION FUND AND THE RESERVE FUND AS MORE FULLY DESCRIBED HEREIN.

This cover page contains certain information for quick reference only. It is not a complete summary of the terms of this Bond issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

**Maturity Schedule**  
 (See inside cover page.)

The Bonds are being offered when, as, and if issued by the District, subject to the approval as to their legality by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, as Special Counsel to the District, Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel, and by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, as Underwriter’s Counsel. Delivery of the Bonds is expected to occur through the facilities of DTC on or about November 21, 2019.



**\$3,415,000**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**OF THE SAN MARCOS UNIFIED SCHOOL DISTRICT**  
**SERIES 2019 SPECIAL TAX BONDS**

**MATURITY SCHEDULE**

**Base CUSIP® No. 798762<sup>†</sup>**

<b>Maturity (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP® No.</b>
2021	\$95,000	3.000%	1.260%	103.048%	MJ6
2022	40,000	3.000	1.450	104.203	MK3
2023	45,000	3.000	1.570	105.223	ML1
2024	50,000	3.000	1.790	105.515	MM9
2025	55,000	3.000	1.880	106.103	MN7
2026	55,000	3.000	1.960	106.568	MP2
2027	60,000	2.500	2.040	103.291	MQ0
2028	65,000	2.500	2.140	102.865	MR8
2029	70,000	2.500	2.260	102.093	MS6
2030	75,000	2.500	2.430	100.604 <sup>c</sup>	MT4
2031	80,000	2.500	2.640	98.588	MU1
2032	85,000	2.500	2.800	96.793	MV9
2033	95,000	2.625	2.900	96.892	MW7
2034	100,000	2.750	2.940	97.733	MX5
2035	105,000	2.750	2.980	97.119	MY3
2036	110,000	3.000	3.000	100.000	MZ0
2037	120,000	3.000	3.030	99.587	NA4
2038	125,000	3.000	3.070	99.003	NB2
2039	135,000	3.000	3.100	98.526	NC0

\$620,000 3.125% Term Bond Due September 1, 2043; Yield: 3.250%; Price: 97.937%; CUSIP® No. ND8<sup>†</sup>:

\$1,230,000 3.125% Term Bond Due September 1, 2049; Yield: 3.310%; Price: 96.510%; CUSIP® No. NE6<sup>†</sup>:

<sup>c</sup> Priced to first optional redemption date of September 1, 2029 at par.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the Underwriter nor the District assumes any responsibility for the accuracy of such numbers. The CUSIP® number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions.

**SAN MARCOS UNIFIED SCHOOL DISTRICT  
GOVERNING BOARD**

Stacy Carlson, *President*  
Janet McClean, *Vice President*  
Victor Graham, *Clerk*  
Sydney Kerr, *Member*  
Pam Lindamood, *Member*

**SCHOOL DISTRICT STAFF**

Carmen García, Ed.D., *Superintendent*  
Mark Schiel, *Assistant Superintendent, Business Services*

**PROFESSIONAL SERVICES**

***Municipal Advisor/Special Tax Consultant/  
Community Facilities District Administrator/Dissemination Agent***

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Irvine, California

***Bond Counsel***

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Irvine, California

***Disclosure Counsel***

Jones Hall, A Professional Law Corporation  
San Francisco, California

***Appraiser***

Stephen G. White, MAI  
Fullerton, California

***Fiscal Agent***

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

## **GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT**

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE ISSUANCE AND SALE OF THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, IN RELIANCE UPON EXEMPTIONS FOR THE ISSUANCE AND SALE OF MUNICIPAL SECURITIES PROVIDED UNDER SECTION 3(A)(2) OF THE SECURITIES ACT OF 1933 AND SECTION 3(A)(12) OF THE SECURITIES EXCHANGE ACT OF 1934. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and any continuing disclosure documents of the District are intended to be made available through the School District at the address indicated below. The District has undertaken to provide certain continuing disclosure pursuant to a Continuing Disclosure Certificate, as described herein. Copies of the resolutions and other documents relating to the issuance of the Bonds are available upon request, and upon payment to the District of a charge for copying, mailing and handling, from the office of the Assistant Superintendent, Business Services of the School District at 255 Pico Avenue, Suite 250, San Marcos, California 92069.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those 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 District or Stifel, Nicolaus & Company, Incorporated (the "Underwriter").

The information set forth herein has been obtained from the District and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation by, the Underwriter. This information is not guaranteed as to accuracy and is not to be construed as a representation by the District or the Underwriter.

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 an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

All summaries of the Fiscal Agent Agreement (as defined herein), and of statutes and other documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute and document. This Official Statement, including any amendment or supplement hereto, is intended to be deposited with one or more depositories. This Official Statement does not constitute a contract between any Owner of a Bond and the District or the School District.

## **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” as describe in the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States 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,” “budget” or other similar words and include, but are not limited to, statements under the captions “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

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 part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the District or School District in any way regardless of the optimism communicated in the information and such statements only speak as of the date of this Official Statement. While the District has agreed to provide certain on-going financial and operating data, except as specifically described under the caption “CONTINUING DISCLOSURE,” the District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based change.

The information set forth herein has been obtained from the School District for the District, and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation by, the School District or the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the District since the date hereof. All summaries contained herein of any resolutions, each respective Fiscal Agent Agreement, or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions.

The School District maintains a website and social media accounts; however, 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.

## TABLE OF CONTENTS

<p>INTRODUCTION..... 1</p> <p style="padding-left: 20px;">General ..... 1</p> <p style="padding-left: 20px;">The School District .....2</p> <p style="padding-left: 20px;">The District.....2</p> <p style="padding-left: 20px;">The Development .....2</p> <p style="padding-left: 20px;">Sources of Payment for the Bonds.....3</p> <p style="padding-left: 20px;">Appraised Value of Land in the District.....4</p> <p style="padding-left: 20px;">Letter of Credit.....4</p> <p style="padding-left: 20px;">No Additional Parity Bonds Except for</p> <p style="padding-left: 40px;">Refunding.....5</p> <p style="padding-left: 40px;">Description of the Bonds.....5</p> <p style="padding-left: 40px;">Tax Exemption .....5</p> <p style="padding-left: 40px;">Professionals Involved in the Offering .....6</p> <p style="padding-left: 40px;">Special Risks.....6</p> <p style="padding-left: 40px;">Continuing Disclosure .....6</p> <p style="padding-left: 40px;">Other Information.....6</p> <p>FINANCING PLAN .....7</p> <p style="padding-left: 20px;">Authorized Facilities.....7</p> <p style="padding-left: 20px;">Estimated Sources and Uses.....8</p> <p>THE BONDS .....8</p> <p style="padding-left: 20px;">Authority for Issuance .....8</p> <p style="padding-left: 20px;">Redemption.....9</p> <p style="padding-left: 20px;">Transfer and Exchange of Bonds.....12</p> <p style="padding-left: 20px;">The Fiscal Agent.....12</p> <p style="padding-left: 20px;">Debt Service Schedule .....13</p> <p>SECURITY FOR THE BONDS .....14</p> <p style="padding-left: 20px;">General .....14</p> <p style="padding-left: 20px;">Special Taxes.....14</p> <p style="padding-left: 20px;">Rate and Method of Apportionment of</p> <p style="padding-left: 40px;">Special Tax .....16</p> <p style="padding-left: 40px;">Special Tax Fund.....20</p> <p style="padding-left: 40px;">Bond Fund.....22</p> <p style="padding-left: 40px;">Capitalized Interest Subaccount.....23</p> <p style="padding-left: 40px;">Redemption Fund .....23</p> <p style="padding-left: 40px;">Reserve Fund.....24</p> <p style="padding-left: 40px;">Residual Fund .....24</p> <p style="padding-left: 40px;">Authorized Investments .....25</p> <p style="padding-left: 40px;">Letter of Credit.....25</p> <p style="padding-left: 20px;">No Additional Parity Bonds Except for</p> <p style="padding-left: 40px;">Refunding.....25</p> <p style="padding-left: 40px;">No Acceleration .....25</p> <p style="padding-left: 40px;">Covenant for Superior Court Foreclosure....26</p> <p style="padding-left: 40px;">Estimated Debt Service Coverage .....28</p> <p>THE DISTRICT .....29</p> <p style="padding-left: 20px;">Overview .....29</p> <p style="padding-left: 40px;">Summary of Formation Proceedings .....29</p> <p>PROPERTY OWNERSHIP AND THE DEVELOPMENT .....30</p> <p style="padding-left: 20px;">Overview .....30</p> <p style="padding-left: 20px;">Approvals and Environmental Matters.....30</p> <p style="padding-left: 20px;">The Developer.....33</p> <p style="padding-left: 20px;">The Development Plan .....34</p> <p style="padding-left: 20px;">Estimated Absorption Schedules .....35</p>	<p style="padding-left: 20px;">Financing Plan ..... 37</p> <p>OWNERSHIP AND VALUE OF LAND IN THE DISTRICT ..... 38</p> <p style="padding-left: 20px;">Assessed Valuation..... 38</p> <p style="padding-left: 20px;">Appraisal Report ..... 38</p> <p style="padding-left: 20px;">Appraised Value-to-Debt Ratios ..... 41</p> <p style="padding-left: 20px;">Special Tax Levies; No Teeter Plan..... 45</p> <p style="padding-left: 20px;">Direct and Overlapping Debt ..... 45</p> <p style="padding-left: 20px;">Sample Tax Bill ..... 48</p> <p>SPECIAL RISK FACTORS..... 49</p> <p style="padding-left: 20px;">Risks of Real Estate Secured Investments</p> <p style="padding-left: 40px;">Generally ..... 49</p> <p style="padding-left: 20px;">Extraordinary Redemption From Prepaid</p> <p style="padding-left: 40px;">Special Taxes ..... 49</p> <p style="padding-left: 20px;">Concentration of Ownership ..... 50</p> <p style="padding-left: 20px;">Potential Early Redemption of Bonds from</p> <p style="padding-left: 40px;">Prepayments..... 50</p> <p style="padding-left: 40px;">Limited Obligations..... 50</p> <p style="padding-left: 40px;">Property Values ..... 51</p> <p style="padding-left: 20px;">Special Tax Delinquencies ..... 51</p> <p style="padding-left: 20px;">Depletion of Reserve Fund..... 51</p> <p style="padding-left: 20px;">Insufficiency of Foreclosure Sale Proceeds 52</p> <p style="padding-left: 20px;">Payment of Special Taxes..... 52</p> <p style="padding-left: 20px;">Bankruptcy; Other Limitations Affecting</p> <p style="padding-left: 40px;">Creditors' Rights ..... 53</p> <p style="padding-left: 20px;">Payments by FDIC and Other Federal</p> <p style="padding-left: 40px;">Agencies ..... 53</p> <p style="padding-left: 20px;">Natural Disasters; Droughts ..... 55</p> <p style="padding-left: 20px;">Hazardous Substances ..... 56</p> <p style="padding-left: 20px;">Parity Taxes and Special Assessments ..... 56</p> <p style="padding-left: 20px;">Non-Cash Payments of Special Taxes ..... 57</p> <p style="padding-left: 20px;">Limitations on Remedies ..... 57</p> <p style="padding-left: 20px;">Constitutional Amendment ..... 58</p> <p style="padding-left: 20px;">Future Initiatives and Legislative Measures 59</p> <p style="padding-left: 20px;">District Formation; Potential Future</p> <p style="padding-left: 40px;">Litigation ..... 59</p> <p style="padding-left: 20px;">Disclosure to Future Purchasers..... 60</p> <p style="padding-left: 20px;">Billing and Collection of Special Taxes ..... 60</p> <p style="padding-left: 20px;">No Acceleration Provision ..... 61</p> <p style="padding-left: 20px;">Limited Secondary Market..... 61</p> <p style="padding-left: 20px;">Impact of Legislative Proposals,</p> <p style="padding-left: 40px;">Clarifications of the Code and Court</p> <p style="padding-left: 40px;">Decisions on Tax Exemption ..... 61</p> <p style="padding-left: 20px;">Cyber Security ..... 61</p> <p>TAX MATTERS..... 62</p> <p style="padding-left: 20px;">Tax Exemption ..... 62</p> <p style="padding-left: 20px;">Original Issue Discount; Premium Bonds.... 63</p> <p style="padding-left: 20px;">Backup Withholding ..... 63</p> <p style="padding-left: 20px;">IRS Audit of Tax-Exempt Bond Issues..... 64</p> <p>LEGAL MATTERS ..... 64</p> <p style="padding-left: 20px;">Legal Opinion..... 64</p> <p style="padding-left: 20px;">Absence of Litigation..... 64</p>
---	--

Legal Matters Incident to the Issuance of the Bonds .....	64	NO RATINGS .....	67
CONTINUING DISCLOSURE.....	65	UNDERWRITING .....	67
The District .....	65	EXECUTION.....	68
D.R. Horton .....	66		

APPENDIX A	Rate and Method of Apportionment of the Special Tax
APPENDIX B	Appraisal Report
APPENDIX C	Forms of Continuing Disclosure Certificate
APPENDIX D	Proposed Form of Opinion of Bond Counsel
APPENDIX E	Summary of Certain Provisions of the Fiscal Agent Agreement
APPENDIX F	General Information about the Cities of San Marcos and Vista and the County of San Diego
APPENDIX G	Book-Entry-Only Provisions

# COMMUNITY FACILITIES DISTRICT NO. 11 OF THE SAN MARCOS UNIFIED SCHOOL DISTRICT

Pacific Ocean

5 Freeway

White Sand Dr

Business Park Dr

San Marcos Blvd

AirViews September 2, 2019





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## OFFICIAL STATEMENT

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**\$3,415,000**  
**COMMUNITY FACILITIES DISTRICT NO. 11 OF THE**  
**SAN MARCOS UNIFIED SCHOOL DISTRICT**  
**SERIES 2019 SPECIAL TAX BONDS**

### INTRODUCTION

*This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

#### **General**

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the "Official Statement"), is to provide certain information concerning the sale and issuance of the Community Facilities District No. 11 of the San Marcos Unified School District Series 2019 Special Tax Bonds (the "Bonds"). The Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the California Government Code) (the "Act"), a Resolution of Issuance adopted by the Governing Board (the "Governing Board") of the San Marcos Unified School District (the "School District"), acting as the Legislative Body of the District (defined below), on October 15, 2019, and the Fiscal Agent Agreement, dated as of November 1, 2019 (the "Fiscal Agent Agreement"), by and between Community Facilities District No. 11 of the San Marcos Unified School District (the "District") and MUFG Union Bank, N.A., as fiscal agent (the "Fiscal Agent").

The Bonds are being issued by the District to: (i) acquire and/or construct certain school facilities eligible to be financed through the District, (ii) make a deposit to the Reserve Fund in an amount equal to the Reserve Requirement (as such terms are defined herein) for the Bonds, (iii) make an initial deposit to the Administrative Expense Fund (as defined here), and (iv) fund capitalized interest on the Bonds for a period of time, and (v) pay certain costs of issuing the Bonds. The Bonds are payable from and secured by a pledge of certain Net Taxes (as defined and discussed herein) and certain other funds held by the Fiscal Agent. See "THE BONDS – Authority for Issuance" herein.

All capitalized terms used in this Official Statement and not defined herein shall have the meaning(s) set forth in the Fiscal Agent Agreement. See "APPENDIX E – Summary of Certain Provisions of the Fiscal Agent Agreement" herein.

**The School District**

The School District was established in 1976 and currently comprises approximately 49 square miles of territory in the northern portion of the County of San Diego (the “County”). The School District’s current boundaries include the City of Vista, portions of the cities of Carlsbad, Escondido and San Marcos, and portions of unincorporated territory in the County. Approximately 60% of the territory of the School District is within the jurisdictional limits and the sphere of influence of the City of San Marcos. The School District currently administers ten elementary schools providing instruction in grades kindergarten through five, two schools providing instruction in grades kindergarten through eight, three middle schools, two comprehensive high schools, one continuation high school, one alternative high school, and one charter school. The School District’s 2017-18 student enrollment was 21,007; the 2018-19 student enrollment was 21,006; and the 2019-20 enrollment is projected to be 21,245.

**The District**

The District was formed by the School District pursuant to proceedings taken pursuant to the Act. The Governing Board acts as the legislative body (the “Legislative Body”) of the District. Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified voters within a community facilities district and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect special taxes to repay such bonded indebtedness.

Pursuant to the Act, in establishing the District, the Governing Board adopted resolutions stating its intent to form the District, to authorize the levy of special taxes on land within the District (“Special Taxes” or the “Special Tax”) and to authorize the District to incur bonded indebtedness. Following public hearings conducted pursuant to the Act, the Governing Board adopted resolutions establishing the District and calling a special election to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified elector of the District. On June 19, 2018, at a special election held pursuant to the Act, the qualified elector of the District voted to authorize the District to incur bonded indebtedness in an amount not to exceed \$4,000,000 and approved the Rate and Method of Apportionment of the Special Tax (the “Rate and Method of Apportionment”) pursuant to which Special Taxes may be levied to pay the principal of, and interest on, such bonded indebtedness.

The Bonds are payable from Special Taxes levied in the District. See the table under the caption “SECURITY FOR THE BONDS – Estimated Debt Service Coverage.” There are overlapping assessment districts on properties within the District, formed by other public entities including, but not limited to, the City of Vista for city services. See “OWNERSHIP AND VALUE OF LAND IN THE DISTRICT – Direct and Overlapping Debt” herein. The Bonds will be issued in the amount set forth on the inside cover of this Official Statement. See “FINANCING PLAN.”

**The Development**

The District is comprised of a developing condominium project on land located on West San Marcos Boulevard within the boundaries of the School District and the City of Vista (the “City”), along its border with the City of San Marcos. The project currently is comprised of completed homes, homes under construction and parcels under development and for which home construction has yet to commence, which upon completion will comprise 189 single family attached condominium homes. Marketing and sales is currently underway and some homes have

been sold to homeowners. The project is marketed as a single gated community with two product lines, referred to as Verano at Skyline (109 planned units) and Solara at Skyline (80 planned units). The units are two-story and three-story attached condominiums featuring seven floor plans ranging from approximately 1,183 square feet to approximately 1,856 square feet. Western Pacific Housing, Inc., a Delaware corporation, dba D.R. Horton, America's Builder ("D.R. Horton" or the "Developer") is developing the project. As of September 5, 2019, the planned 189 units consisted of 35 completed units owned by individual homeowners, 47 completed units owned by the Developer, ten units under construction, and 97 units for which home construction has yet to commence. Construction and sales are ongoing in the Skyline neighborhood. D.R. Horton currently expects all 189 units will be completed and conveyed to individual owners by late 2021.

For additional details on the development ongoing within the District, see "THE DEVELOPMENT."

**Sources of Payment for the Bonds**

The Bonds will be secured by Net Taxes received by the District and pledged to repay the Bonds, and by moneys in the Special Tax Fund, the Bond Fund, the Reserve Fund and the Redemption Fund, each as established under the Fiscal Agent Agreement. "Net Taxes" are comprised of Special Taxes levied and collected on parcels of real property in the District less Administrative Expenses of up to an initial maximum of \$25,000 in Fiscal Year 2019-20, subsequently escalating at 2% per Fiscal Year thereafter. The Special Taxes are included on the ad valorem property tax bills set by the County each year to the owners of record of property within the District. See "SECURITY FOR THE BONDS."

A debt service Reserve Fund will be established in an amount equal to the Reserve Requirement, defined as an amount as of any date of calculation, equal to the least of (i) 10% of the original principal amount of the Bonds (less original issue discount, if any, plus original issue premium, if any), (ii) Maximum Annual Debt Service on the Bonds, or (iii) 125% of average annual debt service on the Bonds, provided however, the Reserve Requirement will not exceed \$228,691.24. See "APPENDIX E – Summary of Certain Provisions of the Fiscal Agent Agreement." The ability of the Governing Board, in its capacity as the Legislative Body of the District, to increase the annual Special Taxes levied to replenish the Reserve Fund is subject to the maximum annual amount of Special Taxes authorized by the qualified voter of the District. Amounts in the Reserve Fund will only be used for payment of principal of, interest and any redemption premium on, the Bonds, and at the direction of the District, for deposit in the Rebate Fund. See "SECURITY FOR THE BONDS – Reserve Fund."

The District has covenanted for the benefit of the owners of the Bonds (the "Bondowners") that the District will take action with respect to delinquencies in the payment of Special Taxes, including commencing foreclosure action, all as set forth in the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure."

**Appraised Value of Land in the District**

In connection with the issuance of the Bonds, the District hired Stephen G. White, MAI, Fullerton, California (the "Appraiser"), to prepare an Appraisal Report, dated as of September 12, 2019 (the "Appraisal Report") setting forth the estimated market value of all of the taxable land and improvements within the District as of September 5, 2019 (the "Date of Value"). The Appraisal Report is set forth in its entirety as APPENDIX B.

The Appraiser estimated that the market value of the developed and undeveloped 189 single-family attached condominium units in the District, as of the Date of Value, subject to the terms and limitations described in the Appraisal Report, was equal to \$57,435,000. Based on this appraised value of the taxable land and improvements within the District, the ratio of the appraised value of property in the District to the amount of land-secured bonded indebtedness of property in the District, consisting solely of the \$3,415,000 principal amount of the Bonds (the "Appraised Value-to-Debt Ratio") is approximately 16.8 to 1. Individual value-to-debt ratios may vary considerably from this average and there can be no assurance that the market value of property in the District will not decline in the future. See "SPECIAL RISK FACTORS – Property Values." In addition, see "OWNERSHIP AND VALUE OF LAND IN THE DISTRICT – Direct and Overlapping Debt".

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF 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 SCHOOL DISTRICT NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM CERTAIN AMOUNTS DEPOSITED IN THE BOND FUND, THE SPECIAL TAX FUND, THE REDEMPTION FUND AND THE RESERVE FUND AS MORE FULLY DESCRIBED HEREIN.

**Letter of Credit**

Pursuant to the School Facilities Funding Agreement, dated as of May 15, 2018 (the "Funding Agreement"), by and between the School District and D.R. Horton, D.R. Horton has agreed to provide an irrevocable standby letter of credit (the "Letter of Credit") in the amount equal to one year's Special Taxes to be levied on the property it owns in the District (the "Stated Amount"), as security for its obligation to pay Special Taxes on such property. In the event of delinquencies in the payment of the Special Taxes on the property owned by D.R. Horton, the District may draw on the Letter of Credit, which will be issued by Wells Fargo Bank, up to the maximum stated amount thereon.

The initial Stated Amount of the Letter of Credit is approximately \$142,345 and the initial term of the Letter of Credit is one year from the date of delivery of the Bonds. D.R. Horton will maintain, or caused to be maintained, and cause the issuing bank to annually renew the Letter of Credit or provide a substitute Letter of Credit from another bank each year prior to its expiration date until homeowners own at least 60% of the units within the District, at which time the Letter of Credit will be released.

## **No Additional Parity Bonds Except for Refunding**

The Fiscal Agent Agreement provides that the District may not issue any additional bonds, notes or other similar evidences of indebtedness payable, in whole or in part, out of Net Taxes, except: (i) bonds issued to fully or partially refund the Bonds; and (ii) subordinate bonds, notes or other similar evidences of indebtedness. See “SECURITY FOR THE BONDS – No Additional Parity Bonds Except for Refunding.”

## **Description of the Bonds**

**Payments.** Interest on the Bonds is payable on March 1, 2020, and semiannually thereafter on March 1 and September 1 each year. Principal of and premium, if any, on the Bonds shall be payable by the Fiscal Agent, as registrar, transfer agent and fiscal agent. See “THE BONDS” and “APPENDIX G – Book-Entry-Only Provisions” herein.

**Redemption.** The Bonds are subject to optional redemption and special mandatory redemption from prepaid Special Taxes. See “THE BONDS – Redemption” herein.

**Registration, Transfers and Exchanges.** The Bonds will be issued as fully-registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) under the book-entry system maintained by DTC. See “THE BONDS” and “APPENDIX G – Book-Entry-Only Provisions.”

## **Tax Exemption**

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (“Code”). In the further opinion of Bond Counsel interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, although Bond Counsel observes that such interest is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Set forth in Appendix D is the form of opinion Bond Counsel is expected to deliver in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, including certain expectations to the tax treatment of interest, see “TAX MATTERS.”

**Professionals Involved in the Offering**

All proceedings in connection with the issuance of the Bonds are subject to the approval of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel. Cooperative Strategies, LLC, Irvine, California is acting as Municipal Advisor, Special Tax Consultant, District Administrator, and Dissemination Agent. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Disclosure Counsel. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California is acting as Underwriter’s Counsel. MUFG Union Bank, N.A., Los Angeles, California, is acting as the Fiscal Agent. Stephen G. White, MAI, Fullerton, California, is acting as the Appraiser.

**Special Risks**

See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of special factors which should be considered, in addition to the other materials set forth herein, in considering the investment quality of the Bonds.

**Continuing Disclosure**

In order to assist Stifel, Nicolaus & Company, Incorporated, the underwriter of the Bonds (the “Underwriter”), in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”), the District will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain enumerated events. In addition, D.R. Horton will provide ongoing information regarding its development activities in the District until it has sold 150 homes within the boundaries of the District. See “CONTINUING DISCLOSURE” herein. The specific nature of the information to be provided by the District and D.R. Horton is set forth below in “APPENDIX C – Forms of Continuing Disclosure Certificate.”

**Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Bonds, certain sections of the Fiscal Agent Agreement, security for the Bonds, special risk factors, the District, the School District, the development projects ongoing within the District, and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent Agreement, and other resolutions and documents referenced herein are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. Copies of documents referred to herein and information concerning the Bonds are available from the School District by contacting: San Marcos Unified School District, 255 Pico Avenue, Suite 250, San Marcos, California 92069, Attention: Assistant Superintendent, Business Services. The School District may impose a charge for copying, handling and mailing such requested documents.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents,

statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the School District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

**FINANCING PLAN**

**Authorized Facilities**

The Bonds are being issued for the primary purpose of providing funds for the School District to construct and/or acquire authorized school facilities and facilities projects. The authorized school facilities consist of any school facility with an estimated useful life of five years or longer, including sites and site improvements, supporting infrastructure, classrooms, recreational facilities, on-site office space at a school, central support and administrative facilities, interim housing and transportation facilities, among others, needed by the School District in order to serve the student population to be generated as a result of development of the property within the District.

Proceeds of the Bonds will also be used to fund the Reserve Fund to the Reserve Requirement and to pay certain costs of issuing the Bonds and fund capitalized interest through September 1, 2021.

**Estimated Sources and Uses**

The proceeds to be received from the sale of the Bonds, are estimated to be applied as follows:

<i>Sources of Funds:</i>	
Par Amount of the Bonds	\$3,415,000.00
Less Net Original Issue Discount	<u>(49,140.90)</u>
Total Sources	\$3,365,859.10
 <i>Uses of Funds:</i>	
Deposit to School Facilities Account of the Construction Fund	\$2,643,034.51
Deposit to Reserve Fund <sup>(1)</sup>	228,691.24
Deposit to the Capitalized Interest Subaccount of the Interest Account of the Bond Fund	180,833.35
Deposit to Administrative Expense Fund	25,000.00
Costs of Issuance <sup>(2)</sup>	<u>220,000.00</u>
Underwriter's Discount	<u>68,300.00</u>
Total Uses	\$3,365,859.10

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- (1) The Reserve Fund will be funded to the Reserve Requirement.
  - (2) Costs of Issuance include Municipal Advisor/Special Tax Consultant fees, Bond Counsel fees, Disclosure Counsel fees, certain Fiscal Agent fees, District formation costs, Appraiser fees, printing costs and certain other costs associated with the issuance of the Bonds.

**THE BONDS**

The Bonds will be dated the date of delivery thereof, and will be issued in the aggregate principal amount set forth on the inside cover hereof. The Bonds will bear interest from their Dated Date at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing March 1, 2020 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof.

Principal and premium, if any, on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the designated corporate trust office of the Fiscal Agent. Interest on the Bonds (including the final interest payment upon maturity or early redemption) is payable by check of the Fiscal Agent mailed by first class mail to the registered Owners as shown on the Fiscal Agent's books as of the fifteenth day (whether or not such day is a business day) of the calendar month immediately preceding each interest payment date.

**Authority for Issuance**

The Bonds are issued pursuant to the Act, proceedings for the formation of the District, a Resolution of Issuance and the Fiscal Agent Agreement. The Bonds are issued upon and primarily secured by certain Special Taxes levied against taxable parcels of real property within the boundaries of the District.



**Redemption**

**Optional Redemption.** The Bonds are subject to optional redemption from any source of funds other than from Special Tax prepayments, in whole, or in part in the order of maturity as selected by the District and by lot within a maturity, on any Interest Payment Date beginning September 1, 2026, at the following redemption prices (expressed as percentages of principal amount of the Bonds to be redeemed) together with accrued interest to the date set for redemption:

<u>Redemption Date</u>	<u>Redemption Prices</u>
September 1, 2026 and March 1, 2027	103%
September 1, 2027 and March 1, 2028	102
September 1, 2028 and March 1, 2029	101
September 1, 2029 and any Interest Payment Date thereafter	100

**Mandatory Redemption from Prepaid Special Taxes.** The Bonds are subject to mandatory redemption, in whole, or in part, in the order of maturity selected by the District and by lot within a maturity, on any Interest Payment Date from and to the extent of any prepayment of Special Taxes at the following redemption prices (expressed as percentages of principal amount of the Bonds to be redeemed) together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Prices</u>
March 1, 2020 through March 1, 2027	103%
September 1, 2027 and March 1, 2028	102
September 1, 2028 and March 1, 2029	101
September 1, 2029 and any Interest Payment Date thereafter	100

In connection with such redemption, the District may also apply amounts in the Reserve Fund which will be in excess of the Reserve Requirement, if any, as a result of such Special Tax prepayment to redeem the Bonds as set forth above.

Prepayments of Special Taxes could be made by any of the owners of any of the property within the District including the Developer, or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price, if applicable, could reduce the otherwise expected yield on such Bonds. See “SPECIAL RISK FACTORS – Extraordinary Redemption from Prepaid Special Taxes.”

**Mandatory Sinking Fund Redemption.** The Bonds maturing on September 1, 2043 are subject to mandatory sinking fund redemption in part, by lot, on September 1 of each year, commencing September 1, 2040, and on each September 1 thereafter in accordance with the schedule set forth below. The Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such Bonds to be redeemed, plus accrued but unpaid interest, without premium.

**Term Bonds Maturing September 1, 2043**

Redemption Date (September 1)	Sinking Fund Amount
2040	\$140,000
2041	150,000
2042	160,000
2043 (maturity)	170,000

The Bonds maturing on September 1, 2049 are subject to mandatory sinking fund redemption in part, by lot, on September 1 of each year, commencing September 1, 2044, and on each September 1 thereafter in accordance with the schedule set forth below. The Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such Bonds to be redeemed, plus accrued but unpaid interest, without premium.

**Term Bonds Maturing September 1, 2049**

Redemption Date (September 1)	Sinking Fund Amount
2044	\$180,000
2045	190,000
2046	200,000
2047	210,000
2048	220,000
2049 (maturity)	230,000

**Selection of Bonds for Redemption.** If less than all of the Outstanding Bonds are to be redeemed, the Fiscal Agent shall select the Bonds to be redeemed as directed by the District, and in the absence of such directions, pro rata among maturities and by lot within a single maturity, and in the case of mandatory redemption, by lot within the maturity being called for redemption.

**Purchase of Bonds In Lieu of Redemption.** In lieu of, or partially in lieu of, any optional redemption, special mandatory redemption from prepaid Special Taxes or mandatory sinking fund redemption, moneys deposited in an account of the Redemption Fund may be used to purchase the Outstanding Bonds that were to be redeemed with such funds as provided in the Fiscal Agent Agreement. Purchases of Outstanding Bonds may be made by the District prior to the selection of the Bonds for redemption by the Fiscal Agent, at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, and, in the case of funds in the Optional Redemption Account or Mandatory Redemption Account, the applicable premium to be paid in connection with the proposed redemption. Any accrued interest payable upon the purchase of Bonds may be paid from the Interest Account of the Bond Fund for payment of interest on the next following Interest Payment Date.

**Notice of Redemption.** When the Fiscal Agent receives written notice from the District of its election to redeem Bonds, or when the Fiscal Agent is required to redeem Bonds, the Fiscal Agent must give notice of the redemption of such Bonds. Notice of redemption, containing the information required by the Fiscal Agent Agreement, will be mailed to the respective Owners of the Bonds at their addresses appearing on the Bond Register by first class mail, postage prepaid, by the Fiscal Agent at least 20 days but not more than 60 days prior to the redemption date. The actual receipt by any Bondowner of such notice of redemption shall not be a condition precedent to redemption, and neither the failure to receive such notice nor any defect therein shall affect the validity of the proceedings for redemption or the cessation of interest on the redemption date.

**Effect of Notice of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the principal and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice.

**Circumstances Leading to Redemption of Bonds Prior to Maturity.** Bond purchasers should be aware of the following circumstances, among others, that may lead to redemption of some or all of the Bonds prior to maturity:

- (i) Prepayment of all or part of any Special Taxes as the result of development in the District or otherwise;
- (ii) Issuance of refunding bonds to optionally redeem the Bonds; and
- (iii) Accumulation of investment income in the Bond Fund.

**Contingent Redemption; Rescission of Redemption.** Any optional or special mandatory redemption notice may specify that redemption of the Bonds designated for redemption on the specified date will be subject to the receipt by the District and/or the Fiscal Agent, as applicable, of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the District nor the Fiscal Agent will have any liability to the Owners of any Bonds, or any other party, as a result of the District's failure to redeem the Bonds designated for redemption as a result of insufficient moneys therefor.

Any notice of optional or special mandatory redemption may be cancelled and annulled if for any reason funds are not, or will not be, available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. Such cancellation and annulment is not a default under the Fiscal Agent Agreement. The District will not have any liability to the Bondowners, or any other party, as a result of the District's failure to redeem any of the Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the District may rescind any optional redemption of the Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. Notice of rescission of redemption shall 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 shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. Neither the District nor the Fiscal Agent will

have any liability to the Owners of any Bonds, or any other party, as a result of the District's decision to rescind a redemption of any Bonds pursuant to the provisions of the Fiscal Agent Agreement.

### **Transfer and Exchange of Bonds**

Any Bond may be transferred upon the registration books by the Fiscal Agent upon surrender of such Bond for cancellation, together with a written instrument of transfer approved by the Fiscal Agent. The Fiscal Agent may charge a reasonable fee for any transfer or exchange and may charge the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange. A new Bond, or Bonds of like aggregate principal amount, maturity and Series, shall be delivered in exchange for any Bond or Bonds thus surrendered. The Fiscal Agent shall not be required to make such transfers or exchanges (i) 15 days prior to any date established for selection of Bonds for redemption or (ii) with respect to any Bond which has been chosen for redemption.

### **The Fiscal Agent**

MUFG Union Bank, N.A., has been appointed as the initial Fiscal Agent for the Bonds under the Fiscal Agent Agreement. See "APPENDIX E – Summary of Certain Provisions of the Fiscal Agent Agreement" hereto for a further description of the rights and obligations of the Fiscal Agent under the Fiscal Agent Agreement.

**Debt Service Schedule**

**Debt Service for the Bonds.** The following table sets forth the annual debt service for the Bonds based on the maturity schedule and interest rates set forth on the inside cover page of this Official Statement.

<b>Year Ending (September 1)</b>	<b>Principal<sup>(1)</sup></b>	<b>Interest<sup>(2)</sup></b>	<b>Total</b>
2020	-	\$79,114.59	\$79,114.59
2021	\$95,000	101,718.76	196,718.76
2022	40,000	98,868.76	138,868.76
2023	45,000	97,668.76	142,668.76
2024	50,000	96,318.76	146,318.76
2025	55,000	94,818.76	149,818.76
2026	55,000	93,168.76	148,168.76
2027	60,000	91,518.76	151,518.76
2028	65,000	90,018.76	155,018.76
2029	70,000	88,393.76	158,393.76
2030	75,000	86,643.76	161,643.76
2031	80,000	84,768.76	164,768.76
2032	85,000	82,768.76	167,768.76
2032	95,000	80,643.76	175,643.76
2034	100,000	78,150.00	178,150.00
2035	105,000	75,400.00	180,400.00
2036	110,000	72,512.50	182,512.50
2037	120,000	69,212.50	189,212.50
2038	125,000	65,612.50	190,612.50
2039	135,000	61,862.50	196,862.50
2040	140,000	57,812.50	197,812.50
2041	150,000	53,437.50	203,437.50
2042	160,000	48,750.00	208,750.00
2043	170,000	43,750.00	213,750.00
2044	180,000	38,437.50	218,437.50
2045	190,000	32,812.50	222,812.50
2046	200,000	26,875.00	226,875.00
2047	210,000	20,625.00	230,625.00
2048	220,000	14,062.50	234,062.50
2049	230,000	7,187.50	237,187.50
<b>Totals</b>	<b>\$3,415,000</b>	<b>\$2,032,933.47</b>	<b>\$5,447,933.47</b>

(1) Includes sinking-fund redemption payments.  
 (2) Funded in whole or in part by capitalized interest deposit through September 1, 2021.  
 Source: Underwriter.

## **SECURITY FOR THE BONDS**

### **General**

The Bonds and the interest thereon are secured and payable primarily from the Special Taxes to be levied and collected on all the real property within the District subject to the Special Taxes, including certain proceeds, if any, of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, less Administrative Expenses in an initial maximum of \$25,000 in Fiscal Year 2019-20, subsequently escalating at 2% per Fiscal Year thereafter (“Net Taxes”), and amounts held in certain funds pursuant to the Fiscal Agent Agreement. The Bonds and the interest thereon are secured by any Net Taxes which may be levied on property in the District which is subject to the Special Taxes under the Rate and Method of Apportionment.

The amount of Special Taxes that the District may levy within the boundaries of the District in any year is strictly limited by the maximum rates approved by the qualified elector within the District at the time of formation of the District and by Government Code Section 53321 (as set out in the Rate and Method of Apportionment). The District is legally authorized under the Act, and has covenanted in the Fiscal Agent Agreement, to annually cause the levy of the Special Taxes in an amount determined according to the Rate and Method of Apportionment. See “Special Taxes” below. The Rate and Method of Apportionment apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described herein. See “– Rate and Method of Apportionment of Special Tax” and APPENDIX A.

Under existing laws, regulations, rulings and judicial decisions, the Special Taxes are exempt from the tax rate limitations of California Constitution Article XIII A pursuant to Section 4 thereof as “special tax” authorized by a two-thirds vote of the qualified elector of the District. Consequently, the District has the power and is obligated to cause the levy and collection of the Special Taxes in an amount determined according to a methodology which the Governing Board and the qualified elector in the District voted to authorize the Special Taxes. See “–Special Taxes” below. However, Article XIII C of the California Constitution may allow the voters in the District (or perhaps in the School District), under certain conditions, to adopt an ordinance by initiative which would reduce or appeal the Special Taxes. See “– Rate and Method of Apportionment of Special Tax” and “SPECIAL RISK FACTORS – Constitutional Amendment.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COUNTY OF SAN DIEGO, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF 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 SCHOOL DISTRICT BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

### **Special Taxes**

The levy of the Special Taxes was authorized by vote of the qualified landowner elector within the territory included in the District at a special election held on June 19, 2018. Pursuant to the Act, the District caused a Notice of Special Tax Lien to be recorded thereafter against property within the District in the Official Records of San Diego County Recorder’s Office as required by the Act. See “THE DISTRICT – Summary of Formation Proceedings” for additional details.

The Bonds are secured by, among other things, a pledge of Net Taxes which include the scheduled payments for the Bonds and any prepayments of Special Taxes received by the District and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of Special Taxes. Net Taxes pledged to the repayment of the Bonds are Special Taxes net of Administrative Expenses of up to an initial maximum of \$25,000 in Fiscal Year 2019-20, subsequently escalating at 2% per Fiscal Year thereafter. Administrative Expenses include the cost of calculation and collection of the Special Taxes in each Fiscal Year and any other costs relating to the Bonds, including the fees and costs of the Fiscal Agent. The District has covenanted in the Fiscal Agent Agreement to levy the Special Taxes in each fiscal year that the Bonds are outstanding. The Special Taxes are to be apportioned, levied and collected according to the Rate and Method of Apportionment approved by the qualified elector of the District. The Special Taxes will be levied each year in accordance with the Rate and Method of Apportionment, including amounts sufficient to cover debt service on the Bonds, to pay Administrative Expenses and to restore the Reserve Fund to the Reserve Requirement for the Bonds, if necessary. See “– Rate and Method of Apportionment of Special Tax.”

The levies of Special Taxes are subject to certain limitations. Certain properties are exempt from the Special Taxes pursuant to law or the Rate and Method of Apportionment. See “SPECIAL RISK FACTORS – Payment of Special Taxes.” The annual levy of Special Taxes on each parcel within the District is constrained by the Special Tax rate applicable to such parcel and by the limitation that Special Taxes levied on residential developed property shall not increase more than 10% as a result of Special Taxes delinquencies of other property owners. See “– Rate and Method of Apportionment of Special Tax” and “SPECIAL RISK FACTORS – Payment of Special Taxes” herein.

The amount of the Special Taxes that can be levied and collected in future years will be dependent upon, among other factors, the Special Tax rates imposed, and the level of delinquent Special Tax installments. Although the Special Taxes, when levied, will constitute a lien on parcels subject to taxation within the District, it does not constitute a personal indebtedness of the owners of property within the District. There is no assurance that the owners of real property in the District will be financially able to pay the annual Special Taxes or that they will pay such tax even if financially able to do so.

In the event that delinquencies occur in the receipt of the District’s Special Taxes in any Fiscal Year, the District may increase its Special Tax levy in the following Fiscal Year up to maximum amount permitted under the Rate and Method of Apportionment. Although the Special Tax levy may be increased, Net Taxes resulting from the increase would not be available to cure any delinquencies for a period of one year or more. In addition, an increase in the Special Tax rates may adversely affect the ability or willingness of property owners to pay their Special Taxes. Pursuant to Section 53321 of the Act and a resolution adopted by the District, under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the District by more than 10%. For such purposes, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued. See “– Rate and Method of Apportionment” above, for a description of the District’s procedures for levying Special Taxes.

## **Rate and Method of Apportionment of Special Tax**

The Rate and Method of Apportionment is set forth in its entirety in “APPENDIX A – Rate and Method of Apportionment of the Special Tax.” The terms appearing below with initial letters capitalized are defined terms in the Rate and Method of Apportionment.

The Governing Board, acting as the Legislative Body of the District, will levy and collect the Special Taxes applicable to each Assessor’s Parcel located within the boundaries of the District according to the Rate and Method of Apportionment.

Pursuant to the Rate and Method of Apportionment, each Fiscal Year, the District classifies all property within the boundaries of the District as either Taxable Property or Exempt Property. In addition, each parcel of Taxable Property is classified as Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property. All Developed Property is further assigned to one of eight designated Land Use Classes, by building square footage, in accordance with Table 1 in the Rate and Method of Apportionment. See APPENDIX A.

For Fiscal Year 2019-20, the Assigned Annual Special Tax for each assessor’s parcel of Developed Property in the District is estimated to range from approximately \$830 to \$1,005. The Assigned Annual Special Tax for each parcel of Approved Property, Undeveloped Property, or Provisional Undeveloped Property is \$13,149.27 per acre, for Fiscal Year 2019-20. The Assigned Annual Special Tax for Developed Property, Approved Property, Undeveloped Property, or Provisional Undeveloped Property is subject to escalation at 2% per Fiscal Year.

In addition, each parcel of Developed Property is subject to a Backup Annual Special Tax. For additional details, see APPENDIX A.

Pursuant to the Rate and Method of Apportionment, the Special Tax will be levied in each fiscal year on parcels of all Taxable Property in the District to pay debt service on the Bonds and any parity obligations, as described below.

Step One: The Annual Special Tax shall be levied on all Taxable Property that is Developed Property at the Assigned Annual Special Tax applicable to each such parcel.

Step Two: If additional moneys are needed to satisfy the Special Tax Requirement, the Annual Special Tax will be levied Proportionately on each parcel of Approved Property up to 100% of the Assigned Annual Special Tax applicable to each such parcel as needed to satisfy the Special Tax Requirement.

Step Three: If additional moneys are needed to satisfy the Special Tax Requirement, the Annual Special Tax will be levied Proportionately on each parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such parcel as needed to satisfy the Special Tax Requirement.

Step Four: If additional moneys are needed to satisfy the Special Tax Requirement, the Annual Special Tax on each parcel of Developed Property whose Maximum Special Tax is the Backup Annual Special Tax shall be increased Proportionately from the Assigned Annual Special Tax up to 100% of the Backup Annual Special Tax applicable to each such parcel as needed to satisfy the Special Tax Requirement.



Step Five: If additional moneys are needed to satisfy the Special Tax Requirement, the Annual Special Tax will be levied Proportionately on each parcel of Provisional Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such parcel as needed to satisfy the Special Tax Requirement.

“Special Tax Requirement” means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds; (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account(s) established in association with the Bonds, (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the Bonds, and (v) the collection or accumulation of funds for the acquisition or construction of facilities authorized by the District provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Approved Property, Undeveloped Property, or Provisional Undeveloped Property as set forth in Steps Two through Four above, less (vi) any amount(s) available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document. In arriving at the Special Tax Requirement, the Administrator shall take into account the reasonably anticipated delinquent Special Taxes, provided that the amount included cannot cause the Annual Special Tax of an Assessor Parcel of Developed Property to increase by greater than 10% of what would have otherwise been levied.

The above discussion is only a summary of some of the operational sections of the Rate and Method of Apportionment. Investors should rely on this summary only as an aide to a careful review of the Rate and Method of Apportionment which is contained in APPENDIX A hereto.

No assurance can be given that homeowners will be able and willing to pay Special Taxes, which will be levied on properties within the District.

A summary of the projected Fiscal Year 2019-20 Special Tax levy by classification, reflecting all taxable units/lots classified as Developed Property (as defined in the Rate and Method of Apportionment) for Fiscal Year 2019-20 is set forth in following table, followed by the same on a projected basis for Fiscal Year 2020-21. The project comprises a total of 189 proposed attached condominium units, with each home including ground floor space thus effectively a "lot" area, but not a specified land area. For convenience of reference, the term lot may be used in this Official Statement to refer to the home ground floor area, as opposed to a specified parcel of land.

**Table 1A  
Community Facilities District No. 11  
of the San Marcos Unified School District  
Fiscal Year 2019-20 Special Tax Levy**

Special Tax Class	Building Square Feet	Number of Units <sup>(1)</sup>	Fiscal Year 2019-20 Assigned Annual Special Tax Rate	Fiscal Year 2019-20 Annual Special Taxes	Percentage Levy of Total
1	< 1,351	13	\$830.00 per Unit	\$10,790.00	9.90%
2	1,351 - 1,450	18	865.00 per Unit	15,570.00	14.28
3	1,451 - 1,550	27	900.00 per Unit	24,300.00	22.29
4	1,551 - 1,650	18	935.00 per Unit	16,830.00	15.44
5	1,651 - 1,750	19	970.00 per Unit	18,430.00	16.90
6	> 1,750	23	1,005.00 per Unit	23,115.00	21.20
<b>Total</b>		<b>118</b>	<b>N/A</b>	<b>\$109,035.00</b>	<b>100.00%</b>

(1) Reflects all taxable units classified as Developed Property for Fiscal Year 2019-20 pursuant to the RMA.  
Source: Cooperative Strategies, LLC.

**Table 1B  
Community Facilities District No. 11  
of the San Marcos Unified School District  
Projected Fiscal Year 2020-21 Special Tax Levy**

Special Tax Class	Building Square Feet	No. of Units <sup>(1)</sup>	Projected Fiscal Year 2020-21 Assigned Annual Special Tax Rate	Projected Fiscal Year 2020-21 Annual Special Taxes <sup>(2)</sup>	Percentage Levy of Total
1	< 1,351	15	\$846.60 per Unit	\$12,699.00	9.63%
2	1,351 - 1,450	22	\$882.30 per Unit	\$19,410.60	14.72%
3	1,451 - 1,550	33	\$918.00 per Unit	\$30,294.00	22.98%
4	1,551 - 1,650	22	\$953.70 per Unit	\$20,981.40	15.91%
5	1,651 - 1,750	21	\$989.40 per Unit	\$20,777.40	15.76%
6	> 1,750	27	\$1,025.10 per Unit	\$27,677.70	20.99%
<b>Total</b>		<b>140</b>	<b>NA</b>	<b>\$131,840.10</b>	<b>100.00%</b>

(1) Projected product mix based on the product mix provided by the Developer.  
(2) Amounts shown reflect the projected Fiscal Year 2020-21 Special Taxes to be levied on all properties within the District planned for residential construction, if developed at the building square footage sizes provided by the Developer at the time of issuance of the Bonds, assuming a building permit is issued prior to May 1, 2020. These amounts are provided to illustrate the expected classification of the units remaining to be built and are not intended to represent the actual Special Tax levy.

Source: Cooperative Strategies, LLC.

A summary of the projected Fiscal Year 2021-22 Special Tax levy by classification, assuming full build-out of the taxable land in the District, is set forth in following table.

**Table 1C  
Community Facilities District No. 11  
of the San Marcos Unified School District  
Projected Fiscal Year 2021-22 Special Tax Levy  
Expected Upon Full Build-Out**

<b>Special Tax Class</b>	<b>Building Square Feet</b>	<b>Units Projected at Development Completion<sup>(1)</sup></b>	<b>Projected Fiscal Year 2021-22 Assigned Annual Special Tax Rate</b>	<b>Projected Fiscal Year 2021-22 Assigned Annual Special Taxes</b>	<b>Percentage Levy of Total</b>
1	< 1,351	20	\$863.52 per Unit	\$17,270.40	9.50%
2	1,351 - 1,450	30	899.94 per Unit	26,998.20	14.86
3	1,451 - 1,550	42	936.36 per Unit	39,327.12	21.64
4	1,551 - 1,650	30	972.76 per Unit	29,182.80	16.06
5	1,651 - 1,750	30	1,009.18 per Unit	30,275.40	16.66
6	> 1,750	37	1,045.60 per Unit	38,687.20	21.29
<b>Total</b>		<b>189</b>	<b>NA</b>	<b>\$181,741.12</b>	<b>100.00%</b>

(1) Projected buildout based on the product mix provided by the Developer.  
 (2) Amounts shown reflect the projected Fiscal Year 2021-22 Special Taxes to be levied on all properties within the District planned for residential construction, if developed at the building square footage sizes provided by the Developer at the time of issuance of the Bonds, assuming a building permit is issued prior to May 1, 2021. These amounts are provided to illustrate the expected classification of the units remaining to be built and are not intended to represent the actual Special Tax levy.

Source: Cooperative Strategies, LLC.

A summary of the projected Fiscal Year 2021-22 Special Tax levy by ownership, is set forth in following table.

**Table 2  
Community Facilities District No. 11  
of the San Marcos Unified School District  
Projected Fiscal Year 2021-22 Special Tax Levy  
By Ownership**

Property Ownership <sup>(1)</sup>	Permitted Status <sup>(2)</sup>	Number of Projected Units	Projected Fiscal Year 2021-22 Annual Special Taxes <sup>(3)</sup>	Percentage Levy of Total
Individual Homeowners	Permitted	35	\$33,646.26	18.51%
D.R. Horton	Permitted	83	79,793.04	43.90
	Unpermitted	71	68,301.82	37.58
Subtotal, DR Horton	NA	154	148,094.86	81.49
<b>Subtotal, Permitted</b>		<b>118</b>	<b>113,439.30</b>	<b>62.42%</b>
<b>Subtotal, Unpermitted</b>		<b>71</b>	<b>68,301.82</b>	<b>37.58</b>
<b>Total</b>	<b>N/A</b>	<b>189</b>	<b>\$181,741.12</b>	<b>100.00%</b>

(1) Ownership is as of September 5, 2019, the Date of Value of the Appraisal Report.  
 (2) Permitted status is based on building permits issued by the City and information provided by the Developer. A total of 118 units had building permits issued prior to May 1, 2019 and were classified and levied as Developed Property in Fiscal Year 2019-20. There are 22 units currently projected to be permitted prior to May 1, 2020 and are expected to be initially classified and levied as Developed Property in Fiscal Year 2020-21. The remaining 49 units are currently anticipated to be permitted between May 1, 2020 and May 1, 2021 and will commence levy in Fiscal Year 2021-22.  
 (3) Amounts shown reflect the projected Fiscal Year 2021-22 Special Taxes to be levied on all properties within the District planned for residential construction, if developed at the building square footage sizes provided by the Developer at the time of issuance of the Bonds, assuming a building permit is issued prior to May 1, 2021. These amounts are provided to illustrate the expected classification of the units remaining to be built and are not intended to represent the actual Special Tax levy.

Source: Cooperative Strategies, LLC

**Special Tax Fund**

**Priority of Transfers from the Special Tax Fund.** The Special Taxes and other amounts constituting Gross Taxes collected by the District shall be transferred (exclusive of Prepaid Special Taxes received which will be deposited into the Prepayment Account of the Special Tax Fund), no later than 10 days after the District’s receipt thereof, to the Fiscal Agent for deposit into the Special Tax Fund for the benefit of the District and Bondowners (exclusive of the Administrative Expense Requirement). The Fiscal Agent shall transfer the amounts received in the Special Tax Fund in the following order of priority:

(a) To the Administrative Expense Fund, an amount equal to the Administrative Expense Requirement, which is defined in the Fiscal Agent Agreement as an initial maximum of \$25,000 in Fiscal Year 2019-20, subsequently escalating at 2% per Fiscal Year thereafter.

(b) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the

installment of interest due on the Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.

(c) To the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Bonds during the current Bond Year.

(d) To the Sinking Fund Redemption Account of the Redemption Fund, an amount up to the amount needed to make the Mandatory Sinking Payments due on the Bonds which are Term Bonds during the current Bond Year.

(e) To the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement.

(f) To the extent Administrative Expenses are not fully satisfied in (a) above, to the Administrative Expense Fund in the amount required to bring the balance therein to the amount identified by the District to the Fiscal Agent to meet such additional Administrative Expenses (over and above the Administrative Expense Requirement) in the coming Fiscal Year, or Administrative Expenses from a prior Fiscal Year which remain unpaid.

(g) To the Redemption Fund, the amount, if any, that the District directs the Fiscal Agent to deposit pursuant to the Fiscal Agent Agreement.

(h) Any remaining Special Taxes and other amounts constituting Net Taxes (as defined in the Fiscal Agent Agreement) shall remain in the Special Tax Fund, subject to the provisions of (i), below.

(i) Any remaining Special Taxes and other amounts constituting Net Taxes, if any, will remain in the Special Tax Fund until the end of the Bond Year. At the end of the Bond Year any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Bonds (including payment of Mandatory Sinking Fund Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (e), above, or to pay current or pending Administrative Expenses as provided for in (a) and (f), above, shall be retained in the Special Tax Fund and applied to the purposes set forth in clauses (a)-(g) above in the next following Bond Year until such time as the District provides to the Fiscal Agent a certification, which shall be confirmed by a special tax consultant to the District, that: (i) the Special Taxes levied on Developed Property are equal to or greater than the amount needed to satisfy the requirements of clauses (a)-(e), above, in such Bond Year; (ii) the Administrative Expense Requirement of the District in such Bond Year have been, or will be, satisfied; and (iii) no Special Taxes are being levied on Undeveloped Property.

Upon making such certification and following the end of the corresponding Bond Year, any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Bonds (including payment of Mandatory Sinking Fund Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (e), above, or to pay current or pending Administrative Expenses as provided for in (a) and (f), above, shall without further action by any party, be transferred by the Fiscal Agent on September 2 of each year into the Residual Fund, which funds shall thereafter be used in accordance with the Fiscal Agent Agreement and be free and clear of any lien thereon and may be applied by the District for authorized purposes. Moneys deposited into, or held within, the Residual Fund are not pledged to the payment of the Bonds. Any funds which are required to cure any such delinquency

shall be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

At the date of the redemption, defeasance or maturity of the last Bond, and after all principal and interest then due on any Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, moneys in the Special Tax Fund will be transferred to the District by the Fiscal Agent and may be used by the District for any lawful purpose. Funds in the Special Tax Fund will be invested in accordance with Fiscal Agent Agreement. Investment earnings on amounts in the Special Tax Fund, if any, will be retained therein.

**Pursuant to the Fiscal Agent Agreement, moneys in the Administrative Expense Fund will not be construed as a trust fund held for the benefit of the Owners of the Bonds and will not be available for the payment of debt service on the Bonds.**

***Prepayment Account of the Special Tax Fund.*** Prepaid Special Taxes collected by the District (net of any costs of collection) will be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent; and the District will direct the Fiscal Agent to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes will be held in the Prepayment Account for the benefit of the Outstanding Bonds and will be transferred by the Fiscal Agent to the Mandatory Redemption Account of the Redemption Fund to call Bonds on the next Interest Payment Date for which notice can be given in accordance with the special mandatory redemption provisions of the Fiscal Agent Agreement. The Prepaid Special Taxes will be transferred to the Mandatory Redemption Account and applied to call Outstanding Bonds as provided in the Fiscal Agent Agreement. Moneys representing the Prepaid Special Taxes will be invested in accordance with the Fiscal Agent Agreement. Investment earnings on amounts in the Prepayment Account not needed to redeem the Bonds pursuant to special mandatory redemption provisions of the Fiscal Agent Agreement will be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to the Mandatory Redemption Account of the Redemption Fund.

**Bond Fund**

Two Business Days prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund, or the Reserve Fund in the event that sufficient moneys are unavailable in the Special Tax Fund, and deposit in the Principal Account and the Interest Account of the Bond Fund an amount equal to all of the principal and all of the interest due and payable on the Bonds on the ensuing Interest Payment Date, less amounts on hand in the Bond Fund available to pay principal and/or interest on the Bonds. Notwithstanding the foregoing, amounts in the Bond Fund resulting from transfers from the Construction Fund pursuant to the Fiscal Agent Agreement shall be used to pay the principal of and interest on the Bonds prior to the use of any other amounts in the Bond Fund for such purpose. The Fiscal Agent shall apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Bonds on each Interest Payment Date.

Funds held in the Bond Fund shall be invested in accordance with the Fiscal Agent Agreement. All investment earnings and profits resulting from such investment shall be retained in the accounts established for the Bonds in the Bond Fund and used to pay principal of and interest on the Bonds.

## **Capitalized Interest Subaccount**

A Capitalized Interest Subaccount is established within the Interest Account of the Bond Fund into which a portion of the proceeds of the Bonds will be deposited. On March 1, 2020, September 1, 2020, March 1, 2021 and September 1, 2021, the Fiscal Agent will withdraw moneys from the Capitalized Interest Subaccount, in an amount equal to the corresponding interest payment due on the Bonds (or the amount then held in the Capitalized Interest Subaccount if less than the interest payment due) and shall cause such amount to be deposited in the Interest Account of the Bond fund for application on such Interest Payment Date.

## **Redemption Fund**

One Business Day prior to March 1 or September 1 of each year beginning March 1, 2020, after the deposits have been made to the Bond Fund, the Fiscal Agent shall next transfer into the Sinking Fund Redemption Account of the Redemption Fund from the Special Tax Fund an amount equal to one-half of the Mandatory Sinking Payments due on the next September 1. Moneys so deposited in the Sinking Fund Redemption Account of the Redemption Fund shall be used and applied by the Fiscal Agent to call and redeem the Bonds, in accordance with the Fiscal Agent Agreement.

At least one Business Day prior to September 1 of each year, after making the deposits to the Bond Fund and to the Sinking Fund Redemption Account of the Redemption Fund for Mandatory Sinking Payments then due, and after making any deposits to the Reserve Fund to bring the balance to the Reserve Requirement, the District may elect to deposit money to the Redemption Fund to call the Bonds for optional redemption as set forth in Fiscal Agent Agreement. The Fiscal Agent, at the direction of the District, shall transfer from the Special Tax Fund, or from other moneys transferred by the District to the Fiscal Agent, and deposit in the Optional Redemption Account of the Redemption Fund moneys available for the purpose and sufficient to redeem, at the premiums payable as provided in the Fiscal Agent Agreement, the Outstanding Bonds called for optional redemption.

Moneys set aside in the Optional Redemption Account of the Redemption Fund shall be used solely for the purpose of redeeming the Outstanding Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, and interest due on the Outstanding Bonds to be redeemed upon presentation and surrender of such Outstanding Bonds.

Prior to any special mandatory redemption pursuant to the Fiscal Agent Agreement, the Fiscal Agent, at the direction of the District, shall deposit in the Mandatory Redemption Account of the Redemption Fund moneys from the Prepayment Account of the Special Tax Fund sufficient to redeem at the premiums, payable as provided in the Fiscal Agent Agreement, the Outstanding Bonds designated in the notice of redemption. The Fiscal Agent shall transfer such amounts from the Prepayment Account of the Special Tax Fund to the Mandatory Redemption Account on or prior to the designated redemption date.

If there are moneys remaining in the Redemption Fund after any of the Bonds so designated for redemption have been redeemed and canceled or paid and canceled, such moneys shall be transferred to the Special Tax Fund; provided that, if such moneys are part of the proceeds of refunding bonds, such moneys shall be transferred to the fund or account created for the payment of principal of and interest on such refunding bonds. Moneys held in any account of the Redemption Fund shall be invested in accordance with Fiscal Agent Agreement. Investment earnings on amounts in the Redemption Fund, if any, shall be retained therein.

## Reserve Fund

The Fiscal Agent Agreement provides that the Reserve Fund must be maintained in an amount equal to the Reserve Requirement for the Bonds. The Fiscal Agent Agreement provides that the Reserve Requirement, with respect to the Bonds, means, as of any date of calculation, an amount equal to the least of: (i) 10% of the original principal amount of Bonds (less original issue discount, if any, plus original issue premium, if any); (ii) Maximum Annual Debt Service for the Bonds; or (iii) 125% of average annual debt service on the Bonds; provided, however, the Reserve Requirement will not exceed \$228,691.24.

Except as provided in the next paragraph with respect to certain investment earnings, moneys in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Mandatory Sinking Payments, and interest and premium on the Bonds when due to the extent that moneys in the Interest Account and the Principal Account of the Bond Fund or moneys in the Sinking Fund Redemption Account, as applicable, are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement; (iii) making any transfers to the Bond Fund or Redemption Fund in connection with prepayments of the Special Taxes; (iv) paying the principal and interest due on the Bonds in the final Bond Year; and (v) application to the defeasance of the Bonds. If the amounts in the Interest Account or the Principal Account of the Bond Fund and the Sinking Fund Redemption Account of the Redemption Fund, as provided for in the Fiscal Agent Agreement, are insufficient to pay the principal of, including Mandatory Sinking Payments, or interest on the Bonds when due, the Fiscal Agent shall, one Business Day prior to the corresponding Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, moneys necessary for such purpose. Following any transfer to the Interest Account or the Principal Account of the Bond Fund, or the Sinking Fund Payment Account of the Redemption Fund, the Fiscal Agent shall notify the District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the District shall include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted maximum Special Tax rates.

Funds held in the Reserve Fund shall be invested in accordance with the Fiscal Agent Agreement. Any moneys in the Reserve Fund in excess of the Reserve Requirement shall be withdrawn by the Fiscal Agent two Business Days prior to each Interest Payment Date and deposited into the Interest Account of the Bond Fund and thereafter applied for the purposes specified for such account. The Fiscal Agent shall transfer to the Rebate Fund Excess Investment Earnings from Reserve Fund earnings upon written direction of the District pursuant to the Fiscal Agent Agreement.

## Residual Fund

The Fiscal Agent Agreement establishes the Residual Fund into which surplus Special Taxes will be transferred from the Special Tax Fund as described above in "SECURITY FOR THE BONDS – Special Tax Fund – *Priority of Transfers from the Special Tax Fund.*" Moneys in the Residual Fund may be used by the District for (i) acquisition and/or construction of School Facilities; (ii) to make deposits to the Rebate Fund; (iii) at the option of the District, for the optional redemption of any of the Bonds; (iv) to fund Administrative Expenses; or (v) for any lawful purpose as directed by the District. **Moneys on deposit in the Residual Fund are not pledged for payment of the principal of, or interest or premium(s) on the Bonds, and are not subject to any Bondowner's lien.**



**Authorized Investments**

Funds and accounts established under the Fiscal Agent Agreement are held by the Fiscal Agent. Moneys in any of the funds and accounts under the Fiscal Agent Agreement held by the Fiscal Agent, and amounts in the Special Tax Fund held by the Fiscal Agent, shall be invested at the direction of the District in Authorized Investments which shall be deemed at all times to be a part of such funds and accounts. See “APPENDIX E – Summary of Certain Provisions of the Fiscal Agent Agreement” for a list of Authorized Investments.

Moneys, if any, in the Reserve Fund may be invested in Authorized Investments which provide liquidity needed to satisfy any calls on funds in the Reserve Fund. Such liquidity shall provide that at least one half of the moneys in the Reserve Fund shall be available for draw in advance of any Interest Payment Date. Such Authorized Investments shall not have a final maturity of greater than three years (except for guaranteed investment contracts through which moneys in the Reserve Fund may be invested for a longer period). No such investment shall mature later than 15 days prior to the final maturity of the Bonds.

Moneys in the Rebate Fund shall be invested only in Authorized Investments of the type described in clause (a) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States pursuant to the Fiscal Agent Agreement.

**Letter of Credit**

Pursuant to the School Facilities Funding Agreement, dated as of May 15, 2018 (the “Funding Agreement”), by and between the School District and D.R. Horton, D.R Horton has agreed to provide an irrevocable standby letter of credit in the amount equal to one year’s Special Taxes on its property in the District (\$142,345), as security for its obligations to pay Special Taxes on such property. In the event of delinquencies in the payment of the Special Taxes on the property owned by the Developer, the District may draw on the letter of credit, which will be issued by Wells Fargo Bank, up to the maximum stated amount thereon. The letter of credit expires when homeowners own at least 60% of the units within the District, which is currently expected to occur in the first quarter of 2021.

**No Additional Parity Bonds Except for Refunding**

Pursuant to the Fiscal Agent Agreement, the District may not issue any additional bonds, notes, or other evidences of indebtedness payable, in whole or in part, out of Net Taxes (as defined in the Fiscal Agent Agreement) except: (i) bonds issued to fully or partially refund the Bonds; and (ii) subordinate bonds, notes, or other similar evidences of indebtedness. See “APPENDIX E – Summary of Certain Provisions of the Fiscal Agent Agreement” herein.

**No Acceleration**

The principal of the Bonds is not subject to acceleration under the provisions of the Fiscal Agent Agreement.

## **Covenant for Superior Court Foreclosure**

In the event of the delinquency in the payment of any installment of Special Taxes, the District is authorized by the Act to order institution of an action in the superior court of the State to foreclose any lien therefor. In such action the real property subject to the Special Taxes may be sold at a judicial foreclosure sale.

The ability of the District to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner in the event that the property is owned by any receivership or the Federal Deposit Insurance Corporation (the "FDIC"). See "SPECIAL RISK FACTORS – Special Tax Delinquencies," " – Bankruptcy," "– Payments by FDIC and other Federal Agencies," and "– Insufficiency of Foreclosure Sales Proceeds" herein.

Not later than August 1 of each fiscal year, the District will compare the amount of Special Taxes levied in the prior Fiscal Year to the amount of Special Taxes reported by the County as paid and received and:

(A) if the District determines that any single parcel within the District is delinquent in the payment of all or a portion of five semi-annual installments of Special Taxes, then the District shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the District within 120 days of such determination, to the extent permissible under applicable law; and

(B) if the District determines that (i) the total amount of delinquent Special Taxes for the prior Fiscal Year for the District (including the total of delinquencies under (A) above) exceeds 5% of the total Special Taxes due and payable for the prior Fiscal Year, and (ii) the Reserve Fund is less than the Reserve Requirement, then the District shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 120 days of such determination against each parcel of land within the District with a Special Tax delinquency, to the extent permissible under applicable law, and shall thereafter diligence proceed with such foreclosure action(s) and/or proceedings in Superior Court to the extent permitted by law.

Notwithstanding the foregoing, however, the District shall not be required to order, or take action upon, the commencement of foreclosure proceedings under subsections (A) and/or (B), above, if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the balance of funds in the Reserve Fund will fall below the Reserve Requirement and no draw has been made on the Reserve Fund, which has not been restored, such that the Reserve Fund shall be funded to at least the Reserve Requirement. In addition, notwithstanding any of the foregoing, in certain instances the amount of a Special Tax delinquency on a particular parcel in relation to the cost of appropriate foreclosure proceedings may be such that the costs do not warrant the foreclosure proceedings costs. In such cases, foreclosure proceedings may be delayed by the District until there are sufficient Special Tax delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the cost of such foreclosure proceedings.

The net proceeds received following a judicial foreclosure sale of land within the District resulting from a property owner's failure to pay the Special Taxes when due are included within the Net Tax revenues pledged to the payment of principal of and interest on the Bonds under the

Fiscal Agent Agreement. The District reserves the right to elect to accept payment from a property owner of at least the enrolled amount of the Special Taxes for a parcel(s) but less than the full amount of the penalties, interest, costs and attorneys' fees related to the Special Tax delinquency for such parcel(s). The Bondowners are deemed to have consented to the foregoing reserved right of the District, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary. The Bondowners, by their acceptance of the Bonds, consent to such payment for such lesser amounts.

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. See "SPECIAL RISK FACTORS – Special Tax Delinquencies," "– Bankruptcy," "– Payments by FDIC and other Federal Agencies," and "– Insufficiency of Foreclosure Sales Proceeds." If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy and 20 days from the subsequent notice of sale in which to redeem the property to be sold. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made. The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price unless a lesser minimum bid price is authorized by the Owners of 75% of the principal amount of Bonds Outstanding.

**No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the School District or the District to purchase or otherwise acquire any lot or parcel of property offered for sale or subject to foreclosure if there is no other purchaser at such sale. The Act does specify that the Special Taxes will have the same lien priority in the case of delinquency as for ad valorem property taxes.**

If the Reserve Fund is depleted and delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method of Apportionment and the Act, the District may adjust the Special Taxes levied on all property within the District in future fiscal years to provide an amount, taking into account such delinquencies, required to pay debt service on the Bonds and to replenish the Reserve Fund. There is, however, no assurance that the maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the Bonds by the Fiscal Agent Agreement.

## Estimated Debt Service Coverage

The following table illustrates the estimated coverage for the debt service on the Bonds. In the event of delinquencies in Special Tax payments received by the District, the estimated coverage ratios may not be achieved.

**Table 3**  
**Community Facilities District No. 11 of the San Marcos Unified School District**  
**Estimated Debt Service Coverage from Net Taxes**

Fiscal Year	Number of Units Permitted <sup>(1)</sup>	Number of Projected Units <sup>(1)</sup>	Total Projected Units for Levy	Permitted Levy at Assigned Rates	Projected Levy at Assigned Rates	Aggregate Levy at Assigned Rates	Less: Administrative Expenses <sup>(2)</sup>	Net Special Tax Revenue Constraint	Net Debt Service <sup>(3)</sup>	Debt Service Coverage
2019-20 <sup>(1)</sup>	118	0	118	\$109,035.00	\$0.00	\$109,035.00	\$0.00	\$109,035.00	\$0.00	N/A
2020-21 <sup>(1)</sup>	118	22	140	111,215.70	20,624.40	131,840.10	(25,500.00)	106,340.10	95,000.00	111.94%
2021-22 <sup>(1)</sup>	118	71	189	113,439.30	68,301.82	181,741.12	(26,010.00)	155,731.12	138,868.76	112.14
2022-23	118	71	189	115,707.52	69,667.54	185,375.06	(26,530.20)	158,844.86	142,668.76	111.34
2023-24	118	71	189	118,020.64	71,060.26	189,080.90	(27,060.80)	162,020.10	146,318.76	110.73
2024-25	118	71	189	120,380.84	72,481.34	192,862.18	(27,602.02)	165,260.16	149,818.76	110.31
2025-26	118	71	189	122,788.46	73,930.97	196,719.42	(28,154.06)	168,565.36	148,168.76	113.77
2026-27	118	71	189	125,244.23	75,409.59	200,653.81	(28,717.14)	171,936.67	151,518.76	113.48
2027-28	118	71	189	127,749.11	76,917.78	204,666.89	(29,291.48)	175,375.40	155,018.76	113.13
2028-29	118	71	189	130,304.09	78,456.13	208,760.23	(29,877.31)	178,882.91	158,393.76	112.94
2029-30	118	71	189	132,910.17	80,025.26	212,935.43	(30,474.86)	182,460.57	161,643.76	112.88
2030-31	118	71	189	135,568.38	81,625.76	217,194.14	(31,084.36)	186,109.78	164,768.76	112.95
2031-32	118	71	189	138,279.75	83,258.28	221,538.02	(31,706.04)	189,831.98	167,768.76	113.15
2032-33	118	71	189	141,045.34	84,923.44	225,968.78	(32,340.17)	193,628.62	175,643.76	110.24
2033-34	118	71	189	143,866.25	86,621.91	230,488.16	(32,986.97)	197,501.19	178,150.00	110.86
2034-35	118	71	189	146,743.57	88,354.35	235,097.92	(33,646.71)	201,451.21	180,400.00	111.67
2035-36	118	71	189	149,678.44	90,121.44	239,799.88	(34,319.64)	205,480.24	182,512.50	112.58
2036-37	118	71	189	152,672.01	91,923.86	244,595.88	(35,006.04)	209,589.84	189,212.50	110.77
2037-38	118	71	189	155,725.45	93,762.34	249,487.79	(35,706.16)	213,781.64	190,612.50	112.16
2038-39	118	71	189	158,839.96	95,637.59	254,477.55	(36,420.28)	218,057.27	196,862.50	110.77
2039-40	118	71	189	162,016.76	97,550.34	259,567.10	(37,148.68)	222,418.42	197,812.50	112.44
2040-41	118	71	189	165,257.10	99,501.35	264,758.44	(37,891.66)	226,866.79	203,437.50	111.52
2041-42	118	71	189	168,562.24	101,491.37	270,053.61	(38,649.49)	231,404.12	208,750.00	110.85
2042-43	118	71	189	171,933.48	103,521.20	275,454.68	(39,422.48)	236,032.20	213,750.00	110.42
2043-44	118	71	189	175,372.15	105,591.63	280,963.78	(40,210.93)	240,752.85	218,437.50	110.22
2044-45	118	71	189	178,879.60	107,703.46	286,583.05	(41,015.15)	245,567.90	222,812.50	110.21
2045-46	118	71	189	182,457.19	109,857.53	292,314.72	(41,835.45)	250,479.26	226,875.00	110.40
2046-47	118	71	189	186,106.33	112,054.68	298,161.01	(42,672.16)	255,488.85	230,625.00	110.78
2047-48	118	71	189	189,828.46	114,295.77	304,124.23	(43,525.61)	260,598.62	234,062.50	111.34
2048-49 <sup>(4)</sup>	118	71	189	193,625.03	116,581.69	310,206.71	(44,396.12)	265,810.60	237,187.50	112.07
Total	NA	NA	NA	\$4,423,252.55	\$2,551,253.06	\$6,974,505.61	(\$989,201.98)	\$5,985,303.63	<b>\$5,267,100.12</b>	<b>NA</b>

(1) Permitted status and projected buildout is based on information provided by the Developer. A total of 118 building permits were issued prior to May 1, 2019 and will be levied in Fiscal Year 2019-20 as Developed Property. There are 22 units currently projected to be permitted prior to May 1, 2020 and are expected to be classified and levied as Developed Property in Fiscal Year 2020-21. The remaining 49 units are expected to have building permits issued between May 1, 2020 and May 1, 2021 and are expected to be subject to the Special Tax levy as Developed Property in Fiscal Year 2021-22.

(2) The initial annual Administrative Expense \$25,000 will be funded through Bond Proceeds. The Administrative Expense Budget increases at a rate of 2.00% each Fiscal Year, beginning in Fiscal Year 2020-21.

(3) Net Debt Service is less \$180,833.35 in Capitalized Interest funds through March 1, 2021 and a portion of interest due September 1, 2021.

(4) The Annual Special Tax shall be levied for a term of five (5) Fiscal Years after the final maturity of the last series of bonds issued for the District., provided that the Annual Special Tax shall not be levied later than Fiscal Year 2061-62.

Source: Cooperative Strategies, LLC.

## THE DISTRICT

### Overview

The District is comprised of land comprised of developed homes owned by individuals and land under development by D.R. Horton as the “Skyline” project, totaling 189-unit single family condominium units on land located on the northerly side of San Marcos Boulevard within the School District and the City.

As of September 5, 2019, land in the District consisted of 82 completed homes, 10 homes under construction, and vacant land for 97 proposed units. Construction and sales are ongoing. D.R. Horton currently expects buildout of the project to occur in 2021.

The District was formed to provide a means of financing the mitigation costs of elementary, middle and senior high school facilities for the School District. See “– Summary of Formation Proceedings” below.

### Summary of Formation Proceedings

Pursuant to the Act, on May 15, 2018, the Governing Board adopted Resolution # 57-17/18, declaring its intention to establish the District and to authorize the levy of a special tax and Resolution # 58-17/18, declaring its intention that the District incur a bonded indebtedness in an aggregate principal amount not to exceed \$4,000,000. At the conclusion of the public hearings conducted on June 19, 2018, the Governing Board adopted Resolution # 66-17/18 establishing the District and its boundaries, acting as the Legislative Body, and approving the Rate and Method of Apportionment for the District. The Governing Board also adopted Resolution # 67-17/18 determining the necessity of the District to incur a bonded indebtedness. Both of these resolutions called a special election to submit propositions to authorize the levy of the Special Taxes and incurring the bonded indebtedness to the qualified voter of the District. The Bonds will be issued in the amount set forth on the inside cover of the Official Statement.

At a special election held on June 19, 2018, the owners of the property within the boundaries of the District (comprising the landowners at that time) authorized the District to incur a bonded indebtedness in an amount not to exceed \$4,000,000 and approved the Rate and Method of Apportionment to pay the principal of and interest on bonds of the District (including the Bonds) and to pay for certain services to be provided within the District. See “APPENDIX A – Rate and Method of Apportionment of the Special Tax”. Thereafter, a Notice of Special Tax Lien was recorded in the office of the County Recorder of the County pursuant to the Act. On July 17, 2018, Ordinance # 03-17/18, authorizing the levy of Special Taxes on taxable property within the boundaries of the District, was adopted.

## PROPERTY OWNERSHIP AND THE DEVELOPMENT

*Unpaid Special Taxes do not constitute a personal indebtedness of the Developer or any other owners of the parcels within the District. There is no assurance that the Developer or any other current or subsequent property owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the District nor any Bondowner will have the ability at any time to seek payment directly from the owners of property within the District of the Special Tax or the principal or interest on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.*

*No assurance can be given that development of the property in the District will be completed, or that it will be completed in a timely manner. The Special Taxes are not personal obligations of the Developer or of any current or subsequent landowners and, in the event that the Developer or any other current or subsequent landowner defaults in the payment of the Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of the Developer or any other current or subsequent landowner. As a result, other than as provided in the Official Statement, no financial statements or information is, or will be, provided about the Developer or any other current or subsequent landowner. The Bonds are secured only by the Net Taxes and moneys available under certain funds held under the Fiscal Agent Agreement.*

### Overview

The District is comprised of a developing 189-unit condominium project on land located on West San Marcos Boulevard, within the School District and the City of Vista. The project, under development by D.R. Horton, currently is comprised of completed units owned by individual homebuyers, completed units owned by D.R. Horton, units under construction and units for which home construction has yet to commence. Marketing and sales are currently underway. As of the September 5, 2019 Date of Value, there were 82 completed units, including 35 owned by individual homeowners and 47 owned by D.R. Horton, ten units under construction, and 97 units for which home construction has yet to commence. The project is being marketed as Skyline, a gated community consisting of two product lines referred to as Verano at Skyline (109 planned units) and Solara at Skyline (80 planned units). The units are two-story and three-story condominiums featuring seven floor plans ranging from approximately 1,183 square feet to approximately 1,856 square feet. Amenities include a recreation building and pool, and a separate small grass area with palapa and barbecue.

The District is located in the southern portion of the City, along the northerly side of San Marcos Boulevard, at Radiance Way, along the border of the City and the City of San Marcos. The area surrounding the District comprises mixed-use residential, commercial and industrial land uses, plus nearby open space. San Marcos Boulevard is a main east-west road that extends east into the City of San Marcos. To the west it becomes Palomar Airport Road within the City of Carlsbad and extends west to just beyond the Interstate 5 Freeway, with freeway access at Palomar Airport Road about 6 miles to the west of the project.

### Approvals and Environmental Matters

**Zoning.** The land in the District is within the City's zoning designation SPI (Specific Plan Implementation) and General Plan designation Mixed Use. The overall project (previously known as Vista Palomar) obtained a General Plan Amendment, Specific Plan Amendment, Development

Agreement, Special Use Permit (inclusive of a Site Development Plan), Condominium Housing Permit, and Subdivision Map for 191 condominium units (later changed to the current 189) and a 100-room hotel on 17.2 acres, which is under construction (as the 4-story Ayres Hotel).

**Utilities.** All utilities have been installed in the in-tract streets for both neighborhoods. Water is provided by Vista Irrigation District and sewer by the City. Electric and gas are provided by San Diego Gas & Electric Company.

**Seismic Area.** The land in the District is not located within any Alquist-Priolo Earthquake Fault Zone. This means that although nearly all of the land in the State is at risk of seismic activity, land within the District is not located within the highest risk area.

**Flood Zone Status.** Per FEMA Flood Zone Panel 060297-06073C0788J dated 5/16/12, all of the subject properties are located in Zone X, which is an area that is determined to be outside the 100- and 500-year floodplains, and also out of the Special Flood Hazard Area.

# Community Facilities District No. 11 of the San Marcos Unified School District



AirViews September 2, 2019



## The Developer

As previously defined in this Official Statement, the “Developer” or “DR Horton,” is Western Pacific Housing, Inc., a Delaware corporation, which is doing business under the name DR Horton, *America’s Builder*. DR Horton is a subsidiary of D.R. Horton, Inc., a Delaware corporation (“D.R. Horton, Inc.”), a public company whose common stock is included in the S&P 500 Index and listed on the New York Stock Exchange under the ticker symbol “DHI.” Founded in 1978 and headquartered in Arlington, Texas, D.R. Horton, Inc. constructs and sells homes through its operating division in 87 markets in 29 states under the names of DR Horton, *America’s Builder*, Emerald Homes, Express Homes and Freedom Homes.

D.R. Horton, Inc. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information, including financial statements, with the SEC. Such filings, particularly, D.R. Horton, Inc.’s Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as filed by D.R. Horton, Inc. with the SEC on November 7, 2018, and D.R. Horton, Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2019, as filed by D.R. Horton, Inc. with the SEC on July 31, 2019, set forth certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc. and its subsidiaries, including DR Horton, as of such dates.

During fiscal 2018 D.R. Horton, Inc. announced the acquisition of approximately 75% of the then outstanding shares of Forestar Group, Inc. (NYSE: FOR) (“Forestar”). The transaction establishes a strategic relationship between Forestar and D.R. Horton, Inc. for the supply of developed lots, as an extension of D.R. Horton Inc.’s strategy of expanding relationships with land developers and increasing the optioned portion of its homebuilding land and lot position controlled through purchase contracts to enhance operational efficiency and returns.

The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including D.R. Horton, Inc. The address of such Internet website is [www.sec.gov](http://www.sec.gov). In addition, the aforementioned material may also be inspected at the offices of the NYSE at 20 Broad Street, New York, NY 10005. All documents subsequently filed by D.R. Horton, Inc. pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

Copies of D.R. Horton, Inc.’s Annual Report and each of its other quarterly and current reports, including any amendments, are available from D.R. Horton, Inc.’s website at [www.drhorton.com](http://www.drhorton.com).

*The foregoing Internet addresses and references to filings with the Securities and Exchange Commission are included for reference only, and the information on these Internet sites and on file with the Securities and Exchange Commission may be incomplete or inaccurate and has not been reviewed by the District, the School District or the Underwriter. Information on these websites is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on these Internet sites.*

**The Development Plan**

The two different product types of condominium units being constructed by the Developer in the District are summarized as follows:

Verano at Skyline: Proposed to consist of 109 three-story condominium units at completion, with four floor plans ranging in size from approximately 1,183 square feet to approximately 1,856 square feet. As of the Date of Value of the Appraisal there were 46 completed units, including 24 owned by individual homebuyers and 22 owned by the Developer, ten units under construction and 53 units for which home construction has yet to commence.

Solara at Skyline: Proposed to consist of 80 two-story condominium units at completion, with three floor plans ranging in size from approximately 1,426 square feet to approximately 1,576 square feet. As of the Date of Value of the Appraisal there were 36 completed units, including 11 owned by individual homebuyers, 25 owned by the Developer, and 44 units for which home construction has yet to commence. No homes were under construction in Solara as of such date; home construction is expected to recommence in January or February 2020.

The following two tables summarize the proposed product mix and development status of the two neighborhoods being constructed by the Developer in the District as of September 5, 2019:

**Table 4**

**Verano Neighborhood – Development Status  
As of September 5, 2019**

<b>Floor Plan</b>	<b>Approx. Square Footage</b>	<b>Total Number of Planned Units</b>	<b>Units Completed, Sold and Closed<sup>(1)</sup></b>	<b>Units Completed and owned by Developer<sup>(1)</sup></b>	<b>Units Under Construction</b>	<b>Est. Base Price<sup>(2)</sup></b>
1	1,183	20	7	2	2	\$469,000
2	1,515	22	3	6	2	489,000
3	1,726	30	8	5	2	545,000
4	1,856	37	6	9	4	549,000
<b>Totals</b>		<b>109</b>	<b>24</b>	<b>22</b>	<b>10</b>	

(1) A total of six completed units owned by the Developer within the Verano neighborhood were under contract as of September 5, 2019. Between September 5, 2019 and October 15, 2019 an additional five units had been conveyed to individual homeowners, resulting in a total of 29 closed units within Verano as of October 15, 2019. A total of three units within the Verano neighborhood were under contract as of October 15, 2019. Units under contract may not result in closed escrows as sales contracts are subject to cancellation.

(2) Base sale prices are estimated as of September 5, 2019. Base sales prices are subject to change and exclude any unit premiums, options, upgrades, incentives and any selling concessions or price reductions which may be offered.

Source: D.R. Horton

**Table 4A**

**Solara Neighborhood – Development Status  
As of September 5, 2019**

<b>Floor Plan</b>	<b>Approx. Square Footage</b>	<b>Total Number of Planned Units</b>	<b>Units Completed, Sold, and Closed<sup>(1)</sup></b>	<b>Units Completed and owned by Developer<sup>(1)</sup></b>	<b>Units Under Construction</b>	<b>Est. Base Price<sup>(2)</sup></b>
1	1,426	30	3	11	0	\$545,000
2	1,538	20	1	7	0	556,000
3	1,576	30	7	7	0	576,000
<b>Totals</b>		<b>80</b>	<b>11</b>	<b>25</b>	<b>0</b>	

- (1) One completed unit owned by the Developer within the Solara neighborhood was under contract as of September 5, 2019. Between September 5, 2019 and October 15, 2019 one additional one unit had been conveyed to a homebuyer, resulting in a total of 12 closed units within Solara as of October 15, 2019. As of October 15, 2019, one unit within the Solara neighborhood were under contract. Units under contract may not result in closed escrows as sales contracts are subject to cancellation.
- (2) Base sale prices are estimated as of September 5, 2019. Base sales prices are subject to change and exclude any unit premiums, options, upgrades, incentives and any selling concessions or price reductions which may be offered.

Source: D.R. Horton

**Estimated Absorption Schedules**

**D.R. Horton.** As of September 5, 2019, D.R. Horton had completed 82 out of 189 planned homes in the District, with an additional 10 homes under construction. D.R. Horton expects that all of its homes in the District will be completed and conveyed to individual owners by late 2021, in accordance with the following tables.

**Table 5**  
**D.R. Horton Estimation Absorption Schedule**  
**Verano Neighborhood – Construction and Sales Schedule**  
**As of October 15, 2019**

<b>Phase</b>	<b>No. of Units</b>	<b>Actual/Projected Begin Home Construction</b>	<b>Actual/Projected First Home Closings</b>	<b>Actual/Projected Last Home Sale Closings</b>
Models	4	8/6/2018	8/1/2021	12/30/2021*
1	17	9/10/2018	4/30/2019	1/30/2020*
2	15	11/1/2018	6/28/2019	6/30/2020*
3	12	1/6/2020*	6/1/2020*	12/30/2020*
4	12	4/1/2020*	9/1/2020*	2/30/2021*
5	9	8/1/2020*	1/1/2021*	6/30/2021*
6	11	12/1/2020*	5/1/2021*	10/30/2021*
<b>Total</b>	<b>80</b>			

\* Projected.

**Table 5A**  
**Solara Neighborhood – Construction and Sales  
Schedule**

As of October 15, 2019

<b>Phase</b>	<b>No. of Units</b>	<b>Actual/Projected Begin Home Construction</b>	<b>Actual/Projected First Home Closings</b>	<b>Actual/Projected Last Home Sale Closings</b>
Models	5	8/6/2018	7/1/2021*	12/30/2021*
1	17	9/18/2018	3/27/2019	12/30/2019*
2	12	11/1/2018	6/13/2019	1/30/2020*
3	12	1/2/2019	7/1/2019	3/30/2020*
4	10	3/26/2019	12/20/2019*	5/30/2020*
5	14	11/4/2019*	5/1/2020*	10/30/2020*
6	10	2/3/2020*	8/1/2020*	2/28/2021*
7	12	6/1/2020*	12/1/2020*	6/30/2021*
8	12	10/1/2020*	4/1/2021*	9/30/2021*
9	5	1/2/2021*	7/1/2021*	12/30/2021*
<b>Total</b>	<b>109</b>			

\* Projected.

*While the information in this Official Statement reflects D.R. Horton's current development expectations, no assurance can be given that final home construction and conveyance to individual home buyers will be carried out on the schedule or according to the plans described in this Official Statement or that the development plan will not be modified in the future. Additionally, there can be no assurances of the absorption rate of the homes remaining to be built and sold. In changing market conditions, builders will often revise the product lines and prices and the rate of sales can fluctuate. D.R. Horton will continuously evaluate its product lines and prices in light of the then current market conditions. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.*

## Financing Plan

The full development of the property in the District requires the expenditure of substantial amounts of capital. As of October 15, 2019, D.R. Horton had incurred approximately \$56,694,328 in land acquisition and various site development and home construction costs (exclusive of internal financing repayment, sales and marketing, corporate overhead and carry costs) related to its property in the District.

To date, D.R. Horton has financed its land acquisition and various site development and home construction costs related to its property in the District through home sales and internally generated funds. D.R. Horton estimates that, as of October 15, 2019, the remaining costs to be incurred by D.R. Horton to complete its planned development, home construction and conveyance of homes to individual homebuyers within the District will be approximately \$21,496,791 (exclusive of internal financing repayment, sales and marketing expense, and corporate overhead and carry costs). D.R. Horton expects to use home sales revenues and internal funding to complete its development in the District. However, home sales revenues for D.R. Horton's project in the District are not segregated and set aside for completing its project in the District. Home sales revenues is swept daily from D.R. Horton, Inc.'s divisions for use in operations to pay down debt and for other corporate purposes and might get diverted to other D.R. Horton, Inc. needs at the discretion of D.R. Horton, Inc.'s management. Notwithstanding the foregoing, D.R. Horton believes that it will have sufficient funds available to complete its proposed development in the district in accordance with the development schedule described in this Official Statement.

Although D.R. Horton expects to have sufficient funds available to complete its development in the District as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development costs will be available from D.R. Horton or any other source when needed. Neither D.R. Horton nor its parent, D.R. Horton, Inc., nor any of its related entities are under any legal obligation of any kind to expend funds for the development of and construction of homes on its property in the District. Any contributions by D.R. Horton or any other entity to fund the costs of such development are entirely voluntary.

*If and to the extent that the aforementioned sources, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by D.R. Horton within the District and other financing by D.R. Horton is not put into place, there could be a shortfall in the funds required to complete the planned development by D.R. Horton and the remaining portions of the project may not be completed.*

*Neither D.R. Horton nor its parent has any legal obligation to Bond owners to make any such funds available to fund the remaining development costs or to pay ad valorem property taxes or Special Taxes related to D.R. Horton's property in the District. Many factors beyond D.R. Horton's control, or a decision by D.R. Horton to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS" herein.*

## OWNERSHIP AND VALUE OF LAND IN THE DISTRICT

### Assessed Valuation

The following table provides the assessed valuations in the District for Fiscal Year 2019-20. Because the land in the District has been largely undeveloped, the District requested an appraisal of such land in connection with the sale of the Bonds. See “–Appraisal Report.”

**Table 6**  
**Fiscal Year 2019-20 Assessed Valuations<sup>(1)</sup>**

Fiscal Year Ending June 30	Number of Developed Units	Number of Undeveloped Lots	Assessed Value Land	Assessed Value Improvement	Assessed Value Other	Total Assessed Value	Annual Percentage Increase
2020	118	71	\$23,848,400.00	\$2,058,000.00	\$0.00	\$25,906,400.00	N/A

(1) Assessed Value information is as of the January 1 prior to each Subject Fiscal Year. Parcels with permits issued after January 1 may not have an Assessed Value despite being eligible for levy in the Subject Fiscal Year.

Source: Cooperative Strategies, LLC, County of San Diego Assessor’s Roll.

### Appraisal Report

**General.** Stephen G. White, MAI, Fullerton, California (previously defined as the “Appraiser”) prepared an Appraisal Report, dated September 12, 2019 (the “Appraisal Report”), setting forth the estimated market value of all of the taxable land and improvements within the District as of a date of value of September 5, 2019 (previously defined as the “Date of Value”).

The Appraiser was requested by the District to provide a market value of the as is condition of the properties by each product type, reflecting the status of the completed-closed homes (closed builder sales), completed-unclosed homes, homes under construction and vacant lots. The values are also allocated to individual homeowners (completed-closed homes) and builder ownership (completed-unclosed homes, homes under construction and vacant lots). The values in the Appraisal Report reflect the proposed District bond financing, as well as effective tax rates that are estimated to range from 1.28% to 1.30%, based on the home pricing and including the Special Taxes of the District (see “–Property Appraised” below), under the assumptions and limiting conditions cited in the attached report. The value estimates assume a transfer would reflect a cash transaction or terms that are considered to be equivalent to cash. The estimates are also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self-interest and assuming neither is under duress.

The Appraisal Report is set forth in its entirety in APPENDIX B hereto. The description herein of the Appraisal Report is intended for limited purposes only; the Appraisal Report should be read in its entirety. The conclusions reached in the Appraisal Report are subject to certain assumptions and limiting conditions which are set forth in the Appraisal Report.

**Property Appraised.** The Appraisal Report valued the fee simple estate of all of the taxable land within the District, being 189 single-family condominium units that are being developed into two different neighborhoods or product types of attached two and three-story condominium homes. The distribution of these units, by neighborhood as set forth in the Appraisal

Report, is set forth in the following table. For ownership of individual units by individual homeowners as of September 5, 2019, see Table 2.

**Table 7  
Community Facilities District No. 11  
of the San Marcos Unified School District  
Appraised Property and Status of Development  
As of September 5, 2019**

<b>Product Type</b>	<b>Completed Homes</b>	<b>Homes Under Construction</b>	<b>Proposed Units on Vacant Lots</b>	<b>Total Proposed Units</b>
<i>D.R. Horton:</i>				
Verano	46	10	53	109
Solara	36	0	44	80
<b>Total</b>	<b>82</b>	<b>10</b>	<b>97</b>	<b>189</b>

*Source: Appraisal Report.*

**Value Estimate.** The market value of the appraised properties, by ownership, as well as the cumulative, or aggregate, value, are subject to the hypothetical condition various public improvements to be financed by proposed series of Bonds have been paid. The estimates of value also account for the impact of the lien of the Special Tax securing the Bonds.

The value estimate for the appraised property as of the Date of Value, using the methodologies described in the Appraisal Report and subject to the hypothetical condition that various public improvements to be financed by the Bonds are in place, and subject to other assumptions and limiting conditions set forth in the Appraisal Report, and based on the ownership of the property as of that date is \$57,435,000, as shown in APPENDIX B.

**Appraisal Methodology.** The Appraiser’s analysis of the completed-sold homes is of the aggregate value and on a mass appraisal basis by means of the Sales Comparison Approach. Primary consideration was given to the recent builder sales of the appraised homes, secondary consideration was given to current pricing for similar new-home attached product in other nearby locations, all as discussed in the Appraisal Report.

For the completed-unsold homes, the analysis considers a discount due to the bulk ownership by the builder with the discount reflecting holding/sales costs, minor finishing costs and profit in order to sell off the homes. For the homes under construction, a simplified Cost Approach was used in which the value is based on an estimate of construction hard/direct costs expended plus the estimated value of the vacant lot. The analysis of the vacant lots as if in finished condition is based on the Sales Comparison Approach, considering recent sales of residential land or bulk lots from the general area in comparison to the appraised parcels. For additional details on these approaches, see APPENDIX B.

**Special Assumptions and Limiting Conditions.** The estimate of value set forth in the Appraisal Report is based upon a number of standard and special assumptions and conditions, all of which affect the estimate as to value, some of which include the following. See “APPENDIX B –Appraisal Report,” for a complete list of such assumptions and conditions. For example, the Appraisal Report states the following extraordinary assumptions and hypothetical condition:

- The Appraiser assumed there are no soil geological seismic or environmental conditions that would negatively impact the existing or planned use of the subject properties.
- The Appraiser assumed that the properties are free and clear of all liens or encumbrances, conform to all applicable zoning and use regulations and that all required licenses, certificates of occupancy or other authority from governmental agencies have been or can be obtained.
- The Appraiser noted that an estimate of the remaining costs and fees to get the subject parcels/lots from their as-is condition to finished lot condition was provided by the Developer, and these estimates were relied upon in the Appraisal Report as being reasonably accurate and reliable; in addition, the valuations in the Appraisal Report reflect the proposed Bond financing such that the deductions of estimated remaining costs/fees do not include any amounts to be funded by the Bond proceeds.

**Exposure Time.** Exposure time is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date or date of value of the appraisal. Assuming a reasonable marketing effort and at or reasonably near market level, the Appraiser estimated the exposure time for the completed homes as well as for the homes under construction and the vacant lots would have been within 4 months for a sale to be negotiated, and up to several more months for the sales to close.

**Limitations of Appraisal Valuation.** Property values may not be evenly distributed throughout the District; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

No assurance can be given that the estimate of market value set forth in the Appraisal Report can or will be maintained during the period of time that the Bonds are outstanding in that the School District has no control over the market value of the property within the District or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes. See “OWNERSHIP AND VALUE OF LAND IN THE DISTRICT – Direct and Overlapping Debt” below.

For a description of certain risks that might affect the assumptions made in the Appraisal Report, see “SPECIAL RISK FACTORS – Property Values” herein.



## **Appraised Value-to-Debt Ratios**

The Appraiser estimated the market value of the land in the District as of the Date of Value, subject to the terms and limitations described in the Appraisal Report, was equal to \$57,435,000.

A summary of the value-to-debt ratios of property in the District by ownership within each neighborhood, based on the appraised values set forth in the Appraisal Report and the principal amount of Bonds, is set forth in the following table. Individual value-to-debt ratios may vary considerably from the averages shown and there can be no assurance that the value of property in the District will not decline in the future, or that additional overlapping debt will not be placed on the property in the District in the future. See "SPECIAL RISK FACTORS – Property Values" and "– Parity Taxes and Special Assessments."

**Table 8A**  
**Community Facilities District No. 11**  
**of the San Marcos Unified School District**  
**Appraised Value-to-Debt Ratios – By Ownership within each Neighborhood**

Development, Property Ownership, and Development Classification <sup>(1)</sup>	Number of Units and Proposed Units <sup>(1)</sup>	Appraised Values <sup>(2)</sup>	Bonds <sup>(3)</sup>	Value to Debt Ratio <sup>(4)</sup>	Projected Assigned Annual Levy at Completion <sup>(5)</sup>	Percent of Assigned Annual Levy at Completion <sup>(5)</sup>
<b><u>Solara</u></b>						
Individual Homeowners D.R. Horton	11	\$6,105,000.00	\$196,275.79	31.10:1	\$10,445.50	5.75%
Completed (Unsold) Homes/Models	25	10,750,000.00	\$437,125.95	24.59:1	23,263.18	12.80
Vacant Lots	44	7,700,000.00	\$774,158.10	9.95:1	41,199.52	22.67
<b>Subtotal, Solara</b>	<b>80</b>	<b>\$24,555,000.00</b>	<b>\$1,407,559.85</b>	<b>17.45:1</b>	<b>\$74,908.20</b>	<b>41.22%</b>
<b><u>Verano</u></b>						
Individual Homeowners D.R. Horton	24	\$12,240,000.00	\$435,953.05	28.08:1	\$23,200.76	12.77%
Completed (Unsold) Homes/Models	22	9,240,000.00	\$409,660.30	22.56:1	21,801.50	12.00
Under Construction (±40% Completed)	10	2,700,000.00	\$184,156.32	14.66:1	9,800.52	5.39
Vacant Lots	53	8,700,000.00	\$977,670.48	8.90:1	52,030.14	28.63
<b>Subtotal, Verano</b>	<b>109</b>	<b>\$32,880,000.00</b>	<b>\$2,007,440.15</b>	<b>16.38:1</b>	<b>\$106,832.92</b>	<b>58.78%</b>
<b>Total <sup>(6)</sup></b>	<b>189</b>	<b>\$57,435,000.00</b>	<b>\$3,415,000.00</b>	<b>16.82:1</b>	<b>\$181,741.12</b>	<b>100.00%</b>

(1) Ownership information and development classification is based on the Appraisal Report as of September 5, 2019.

(2) Market value estimated by the Appraiser as of September 5, 2019.

(3) Bond amounts are allocated based on each parcel's proportionate share of the Special Taxes projected to be levied at development completion. There were no overlapping liens reported to be associated with the properties within the Community Facilities District in Fiscal Year 2019-20. Excludes general obligation bond indebtedness.

(4) Average value-to-debt ratios; actual value-to-debt ratio per unit/lot may vary.

(5) Amounts shown reflect the projected Fiscal Year 2021-22 Special Taxes to be levied on all properties within the Community Facilities District planned for residential construction, if developed at the building square footage sizes provided by the Developer at the time of issuance of the Bonds, assuming a building permit is issued prior to May 1, 2021. These amounts are provided to illustrate the expected classification of the units remaining to be built and are not intended to represent the actual Special Tax levy.

(6) Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

A summary of the value-to-debt ratios of property in the District by ownership, based on the appraised values set forth in the Appraisal Report and the principal amount of Bonds is set forth in the following table. Individual value-to-debt ratios may vary considerably from the averages shown and there can be no assurance that the value of property in the District will not decline in the future, or that additional overlapping debt will not be placed on the property in the District in the future. See “SPECIAL RISK FACTORS - Property Values” and “- Parity Taxes and Special Assessments.”

**Table 8B**  
**Community Facilities District No. 11**  
**of the San Marcos Unified School District**  
**Appraised Value-to-Debt Ratios - By Ownership**

Property Ownership, and Development Classification <sup>(1)</sup>	Number of Units/Proposed Units <sup>(1)</sup>	Appraised Values <sup>(2)</sup>	Bonds <sup>(3)</sup>	Value to Debt Ratio <sup>(4)</sup>	Projected Assigned Annual Levy at Completion <sup>(5)</sup>	Percent of Projected Assigned Annual Levy at Completion <sup>(5)</sup>
<b>Individual Homeowners</b>	35	\$18,345,000.00	\$632,228.84	29.02:1	\$33,646.26	18.51%
<b>D.R. Horton</b>						
Completed (Unsold) Homes/Models	47	\$19,990,000.00	\$846,786.25	23.61:1	\$45,064.68	24.80%
Under Construction (±40% Completed)	10	2,700,000.00	\$184,156.32	14.66:1	9,800.52	5.39
Vacant Lots	<u>97</u>	<u>16,400,000.00</u>	<u>\$1,751,828.58</u>	<u>9.36:1</u>	<u>93,229.66</u>	<u>51.30</u>
<b>Subtotal D.R. Horton</b>	<b>154</b>	<b>\$39,090,000.00</b>	<b>\$2,782,771.16</b>	<b>14.05:1</b>	<b>\$148,094.86</b>	<b>81.49%</b>
<b>Total<sup>(6)</sup></b>	<b>189</b>	<b>\$57,435,000.00</b>	<b>\$3,415,000.00</b>	<b>16.82:1</b>	<b>\$181,741.12</b>	<b>100.00%</b>

(1) Ownership information and development classification is based on the Appraisal Report as of September 5, 2019.

(2) Market value estimated by the Appraiser as of September 5, 2019.

(3) Bond amounts are allocated based on each parcel's proportionate share of the Special Taxes projected to be levied at development completion. There were no overlapping liens reported to be associated with the properties within the Community Facilities District in Fiscal Year 2019-20. Excludes general obligation bond indebtedness.

(4) Average value-to-debt ratios; actual value-to-debt ratio per unit/lot may vary.

(5) Amounts shown reflect the projected Fiscal Year 2021-22 Special Taxes to be levied on all properties within the Community Facilities District planned for residential construction, if developed at the building square footage sizes provided by the Developer at the time of issuance of the Bonds, assuming a building permit is issued prior to May 1, 2021. These amounts are provided to illustrate the expected classification of the units remaining to be built and are not intended to represent the actual Special Tax levy.

(6) Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC

A summary of the value-to-debt ratios of property in the District based on the appraised values set forth in the Appraisal Report and the principal amount of Bonds (shown on the basis of categories of property in the District), is set forth in following table. Individual value-to-debt ratios may vary considerably from the averages shown and there can be no assurance that the value of property in the District will not decline in the future, or that additional overlapping debt will not be placed on the property in the District in the future. See “SPECIAL RISK FACTORS – Property Values” and “– Parity Taxes and Special Assessments.”

**Table 8C**  
**Community Facilities District No. 11**  
**of the San Marcos Unified School District**  
**Appraised Value and Value-to-Debt Ratios by Stratification**

<b>Value-to-Debt Stratification</b>	<b>Number of Parcels</b>	<b>Appraised Values<sup>(1)</sup></b>	<b>Bonds<sup>(2)</sup></b>	<b>Value-to-Debt Ratio<sup>(3)</sup></b>	<b>Projected Assigned Annual Special Tax Levy at Development Completion<sup>(4)</sup></b>	<b>Percentage Share of Special Tax<sup>(4)</sup></b>
30:1 and Above	18	\$9,675,000.00	\$309,857.38	31.22:1	\$16,490.14	9.07%
20:1 to 30:1	64	\$28,660,000.00	\$1,169,157.71	24.51:1	\$62,220.80	34.24%
15:1 to 20:1	4	\$1,080,000.00	\$67,641.16	15.97:1	\$3,599.76	1.98%
10:1 to 15:1	31	\$5,897,358.49	\$533,113.28	11.06:1	\$28,371.48	15.61%
10:1 and Below	72	\$12,122,641.51	\$1,335,230.46	9.08:1	\$71,058.94	39.10%
<b>TOTAL <sup>(5)</sup></b>	<b>189</b>	<b>\$57,435,000.00</b>	<b>\$3,415,000.00</b>	<b>16.82:1</b>	<b>\$181,741.12</b>	<b>100.00%</b>

(1) Market value estimated by the Appraiser as of September 5, 2019.

(2) Bond amounts are allocated based on each parcel's proportionate share of the Special Taxes projected to be levied at development completion. There were no overlapping liens reported to be associated with the properties within the Community Facilities District in Fiscal Year 2019-20. Excludes general obligation bond indebtedness.

(3) Average value-to-debt ratios; actual value-to-debt ratio per unit/lot may vary.

(4) Amounts shown reflect the projected Fiscal Year 2021-22 Special Taxes to be levied on all properties within the Community Facilities District planned for residential construction, if developed at the building square footage sizes provided by the Developer at the time of issuance of the Bonds, assuming a building permit is issued prior to May 1, 2021. These amounts are provided to illustrate the expected classification of the units remaining to be built and are not intended to represent the actual Special Tax levy.

(5) Totals may not sum due to rounding.

Source: Cooperative Strategies LLC

**Special Tax Levies; No Teeter Plan**

Fiscal Year 2019-20 is the first year in which the Special Taxes are being levied in the District. The estimated Fiscal Year 2019-20 Special Taxes allocated to the Developed Property within the District is approximately \$109,035.00. The Special Taxes are not a personal obligation of any of the current owners of the property or of any subsequent landowners. See "SPECIAL RISK FACTORS." The Bonds are secured solely by the Net Taxes pledged therefor under the Fiscal Agent Agreement and the District's sole collection remedy is judicial foreclosure. See "SECURITY FOR THE BONDS – Special Taxes" and "– Covenant for Superior Court Foreclosure" herein.

The County has adopted a Teeter Plan as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. **By policy, the County does not include Special Taxes levied by the District in its Teeter program.**

**Direct and Overlapping Debt**

The following table sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied within the District prepared by California Tax Date, dated as of October 30 2019 (the "Debt Report") and based on Fiscal Year 2019-20 tax year data. The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, which will change significantly as sales occur and assessed values increase or decrease to reflect housing values. The School District believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the City, may issue additional indebtedness at any time, without the consent or approval of the School District or the District. See "SPECIAL RISK FACTORS – Parity Taxes and Special Assessments."

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from property taxes, assessment or special taxes on land in the District. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Additional indebtedness could be authorized by the School District, the City or other public agencies at any time.

There are several overlapping community facilities districts and assessment districts. The District has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within the District which may be incurred in the future by other governmental agencies, including, but not limited to, the City, the County or any other governmental agency having jurisdiction over all or a portion of the property within the District. Furthermore, nothing prevents the owners of property within the District from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within the District on a parity with a lien of the Special Taxes.

Accordingly, the debt on the property within the District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the ratio that exists at the time the Bonds are issued between the value of the property and the debt secured by the Special Taxes and other taxes and assessments which may be levied on such property. The incurring of such additional indebtedness could also affect the ability and willingness of the property owners within the District to pay the Special Taxes when due. 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 the property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes.

Although the Appraisal Report has been provided in connection with the issuance of the Bonds, the District has not undertaken to commission annual appraisals of the market value of property in the District for purposes of its Annual Reports pursuant to the Continuing Disclosure Certificate, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX C hereto for the form of the Continuing Disclosure Certificate.

**Table 9**  
**San Marcos Unified School District**  
**Community Facilities District No. 11**  
**Detailed Direct and Overlapping Debt Summary**  
**Fiscal Year 2019-20**  
**As of October 30, 2019**

Assessed Value  
2019-2020 Secured Roll Assessed Value \$25,906,400

**Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	980,558	\$5,293,678,615.34	0.00489%	1	\$259,063.99
Voter Approved Debt	AVALL	980,481	\$790,794,069.01	0.00318%	1	\$25,134.39
City of Vista City-Wide LLD	LLMD	21,607	\$1,244,294.46	0.03227%	1	\$401.58
City of Vista LMD South Melrose	LLMD	1,164	\$87,029.94	0.02808%	1	\$24.44
City of Vista Street Maintenance District	1982BA	21,615	\$292,390.24	0.02157%	1	\$63.08
County of San Diego Vector Control, Zone B	VECTOR	368,987	\$771,235.94	0.00030%	1	\$2.28
County of San Diego Vector Disease Control	VECTOR	966,279	\$7,702,644.38	0.00008%	1	\$5.86
Metropolitan Water District of Southern California Standby Charge	STANDBY	30,085	\$411,572.66	0.04144%	1	\$170.56
Palomar Pomerado Health GOB 2004	GOB	192,639	\$17,622,733.47	0.04263%	1	\$7,512.86
San Diego County Water Authority Standby Charge	STANDBY	27,141	\$388,479.10	0.00257%	1	\$10.00
San Marcos Unified School District CFD No. 11	CFD	1	\$109,035.00	100.00000%	1	\$109,035.00
<b>2019-2020 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$401,424.04</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2019-2020 ASSESSED VALUATION</b>						<b>1.55%</b>

**Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
San Marcos Unified School District CFD No. 11	CFD	\$0	\$0	100.00000%	1	\$0
<b>TOTAL LAND SECURED BOND INDEBTEDNESS <sup>(1)</sup></b>						<b>\$0</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS <sup>(1)</sup></b>						<b>\$0</b>

**General Obligation Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$50,105,000	0.00482%	1	\$2,414
Palomar Community College District GOB 2006	GOB	\$694,000,000	\$624,669,046	0.02066%	1	\$129,056
Palomar Pomerado Health GOB 2004	GOB	\$496,000,000	\$419,400,174	0.03026%	1	\$126,910
San Marcos Unified School District GOB 2010	GOB	\$287,000,000	\$269,359,739	0.12275%	1	\$330,627
San Marcos Unified School District SFID 1	GOB	\$21,850,000	\$1,380,652	0.12275%	1	\$1,695
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(1)</sup></b>						<b>\$590,701</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(1)</sup></b>						<b>\$590,701</b>

**TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT** **\$590,700.76**  
**VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT** **43.86:1**

(1) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.  
Source: California Tax Data.

## Sample Tax Bill

The following table provides a representative property tax bill for a single-family home within the District for Fiscal Year 2019-20.

**Table 10**  
**Community Facilities District No. 11**  
**of the San Marcos Unified School District**  
**Representative Property Tax Bill for Fiscal Year 2019-20**

<b>Estimates Sales Price and Taxable Value <sup>(1)</sup></b>		
Estimated Base Sales Price	\$489,000.00	
Homeowner's Exemption	(\$7,000.00)	
Estimated Taxable Value	\$482,000.00	
<b>Ad Valorem Property Taxes <sup>(2)</sup></b>		
General Purposes	1.00000%	\$4,820.00
<i>Ad Valorem Tax Overrides</i>		
San Marcos Unified School District Debt Service	0.07182%	\$346.17
Palomar Health District Debt Service	0.02900%	\$139.78
Palomar Community College District Debt Service	0.02170%	\$104.59
Metropolitan Water District Debt Service	0.00350%	\$16.87
<b>Total Ad Valorem Property Taxes</b>	<b>1.12602%</b>	<b>\$5,427.42</b>
<b>Assessments, Special Taxes and Parcel Charges <sup>(2)</sup></b>		
County of San Diego Vector Control, Zone B		\$8.36
County of San Diego Vector Disease Control		\$3.00
County of San Diego Water Authority Standby		\$10.00
City of Vista Landscape and Lighting District No. 1		\$66.59
City of Vista Street Maintenance District No. 1		\$16.62
City of Vista South Melrose Landscape Maintenance District (Zone 5)		\$3.35
Metropolitan Water District Standby		\$11.50
<b>San Marcos Unified School District Community Facilities District No. 11</b>		<b>\$900.00</b>
<b>Total Assessments, Special Taxes and Parcel Charges</b>		<b>\$1,019.42</b>
<b>Total Property Taxes</b>		<b>\$6,446.84</b>
<b>Total Effective Tax Rate</b>		<b>1.32%</b>

(1) Estimated sales valuation for a unit containing 1,515 building square feet, selected to represent the median effective tax rate for a unit within the District. Sales valuation provided by the Developer at the time of issuance.

(2) Tax rates and assessments are based on Fiscal Year 2019-20 rates and assessments of the San Diego County tax collector for a unit containing 1,515 building square feet. The amounts shown are not intended to represent actual taxes for properties within the District and are included for demonstrative purposes only.

Source: Cooperative Strategies, LLC, County Assessor, National Tax Data, Inc.



## **SPECIAL RISK FACTORS**

*Investment in the Bonds involves risks which may not be appropriate for certain investors. The following is a discussion of certain risk factors, in no particular order of importance, all of which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of existing or future property owners within the District to pay the Special Taxes levied in the District when due. Such failure to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.*

### **Risks of Real Estate Secured Investments Generally**

The Owners of the Bonds 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 District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites 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, laws relating to endangered species and hazardous materials, and tax law changes) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

For example, H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (Pub. L. No. 115-97 (2017)) (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Code (defined herein). For example, the Tax Act reduces the amount of mortgage interest expense and state local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within the District and could adversely affect the sale of homes by the Developer in the District. However, neither the School District nor the District can predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in the District, the rate at which homes in the District are sold to individual homeowners by the Developer, or the ability or willingness of homeowners to pay Special Taxes or property taxes.

### **Extraordinary Redemption From Prepaid Special Taxes**

The Bonds are subject to mandatory call and redemption prior to maturity, as a whole or in part on any Interest Payment Date from amounts in the Prepayment Account of the Special Tax Fund available to redeem Bonds under the Fiscal Agent Agreement. Prepayments could be made by any of the owners of any of the property within the District, including the Developer or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price, if applicable, could reduce the otherwise expected yield on such Bonds. See “THE BONDS – Redemption – Mandatory Redemption from Special Tax Prepayments.”

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 “– Insufficiency

of Foreclosure Sale Proceeds” below, for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

**Concentration of Ownership**

A majority of the land within the District is currently owned by the Developer. See Table 2 for an allocation of the Special Tax attributable to the land owned by the Developer versus individual homeowners.

The owners of property in the District are not personally obligated to pay the Special Tax attributable to their property. Rather, the Special Tax is an obligation only against the parcel of property, secured by the amount which could be realized in a foreclosure proceeding against the property, and not by any promise of the owner to pay. If the value of the property is not sufficient, taking into account other obligations also constituting a lien against the property, the District, Fiscal Agent and owners of the Bonds have no recourse against the owner, such as filing a lawsuit to collect money.

Failure of the Developer, or any successors in interest to the Developer, or any future owner of significant property subject to the Special Taxes in the District to pay installments of Special Taxes when due could cause the depletion of the reserve fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax for the District to pay debt service with respect to the Bonds.

**Potential Early Redemption of Bonds from Prepayments**

Property owners within the District are permitted to prepay their Special Taxes at any time. Such payments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of the prepayment. The resulting redemption of Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Bonds.

**Limited Obligations**

The Bonds and interest thereon are not payable from the general funds of the School District. Except with respect to the Special Taxes, neither the credit nor the taxing power of the District or the School District is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Fiscal Agent Agreement, no owner of the Bonds may compel the exercise of any taxing power by the District or the School District or force the forfeiture of any School District or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the School District or a legal or equitable pledge, charge, lien or encumbrance upon any of the School District’s or the District’s property or upon any of the School District’s or the District’s income, receipts or revenues, except the Special Taxes and other amounts pledged under the Fiscal Agent Agreement.

A property owner of a taxable parcel within the District 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 District has no recourse against the owner.

## **Property Values**

The value of property within the District is an important factor in evaluating the investment quality of the Bonds. If a property owner defaults in the payment of an installment of Special Taxes, the District's only remedy is to judicially foreclose the lien of the Special Taxes on the delinquent parcel. Prospective purchasers of the Bonds should not assume that the property within the District could be sold for the appraised values described herein at a foreclosure sale for delinquent Special Taxes or for an amount adequate to pay delinquent Special Taxes.

Also, property values are not evenly distributed throughout the District. This disparity of values across the District is significant because if property owners become delinquent in the payment of Special Taxes, the District's only remedy is to foreclose against delinquent parcels.

The District does not make any representation as to whether the appraised value of property in the District or the value-to-debt ratios for such property will remain at the appraised values or the ratios discussed in this Official Statement. The appraised values of property in the District, as discussed herein, are from the Appraisal Report, which has a Date of Value of September 5, 2019. The District hired the Appraiser to perform an appraisal and prepare an Appraisal Report to estimate the market value of the taxable property in the District. The market value of property in the District could have a different appraised value on a different date of value, and could decline in the future.

## **Special Tax Delinquencies**

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, are customarily billed to the properties within the District on the ad valorem property tax bills sent to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do ad valorem property tax installments. Special Tax installments cannot be paid separately from general ad valorem property tax payments. Therefore, the unwillingness or inability of a property owner to pay general property tax bills, as evidenced by property tax delinquencies, may also indicate an unwillingness or inability to make general property tax payments and Special Tax installment payments in the future. See “— Insufficiency of Foreclosure Sale Proceeds” below, for a discussion of the policy of the Federal Deposit Insurance Corporation (the “FDIC”) regarding the payment of special taxes and assessment and limitations on the District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

## **Depletion of Reserve Fund**

In order to pay debt service on the Bonds, it is necessary that the Special Tax levied within the District be paid in a timely manner. Should the Special Tax not be paid on time, the District has established a Reserve Fund with respect to the Bonds in the initial amount specified under the heading to pay debt service on the Bonds to the extent other funds are not available therefore and initially, the Reserve Requirement for the Bonds will be satisfied with the Reserve Policy. Under the Fiscal Agent Agreement, the District has covenanted to maintain in the Reserve Fund an amount equal to the Reserve Requirement of the Bonds, with the sole source of moneys to replenish the Reserve Fund being Special Tax Revenues collected that are in excess of Bond debt service and Administrative Expenses. If a sufficient number of property owners in the District are delinquent in the payment of the Special Tax, the District may be unable to replenish the

Reserve Fund to the Reserve Requirement. If such defaults were to continue in successive years, the Reserve Fund would soon be depleted and a default on the Bonds would occur.

**Insufficiency of Foreclosure Sale Proceeds**

The District has covenanted to institute foreclosure proceedings to sell the property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds, subject to the limitations set forth in the Fiscal Agent Agreement. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder with respect to a deed of trust on property within the District could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest. In the event such superior court foreclosure or foreclosures are necessary, there could be a delay in payments to Bondowners pending prosecution of the foreclosure sale, if the Reserve Fund were depleted.

No assurances can be given that the 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. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the District with regard to purchasing or otherwise acquiring any property at the execution sale pursuant to the judgment in any such action if there is no other purchaser at such sale. The District has no obligation to be a bidder at a foreclosure sale.

**Payment of Special Taxes**

The levy of special taxes can result in a significantly greater property tax burden being imposed upon properties within a community facilities district than in other areas of a city, county, or school district, and this added burden can result in problems in the collection of the special taxes. In some community facilities districts, the property owners have refused to pay the special taxes and have commenced litigation challenging the special taxes, the establishment of the community facilities district and the bonds issued by the community facilities district.

Within the limits of the Rate and Method, the District may adjust the Special Taxes levied on all property within the District to provide an amount required to pay debt service on the Bonds and other obligations of the District, and the amount, if any, necessary to replenish the Reserve Fund to an amount equal to the Reserve Requirement and to pay all annual Administrative Expenses and make rebate payments to the United States government. However, the amount of the Special Taxes that may be levied against particular categories of property within the District is subject to the maximum rates provided in the Rate and Method. There is no assurance that the maximum rates will at all times be sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement.

An owner of a taxable parcel is not personally obligated to pay the Special Taxes which are levied on his or her parcel. Rather, the Special Taxes are an obligation which is secured only by a lien upon the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to fully secure the Special Taxes, the District has no recourse against the owner.

The ability of the District to increase the amount of Special Taxes which may be levied and to pay costs of foreclosure proceedings may be limited by voter initiative. See “– Constitutional Amendment” and “– Limitations on Remedies” below.

## **Bankruptcy; Other Limitations Affecting Creditors' Rights**

The payment of property owners' taxes and the ability of the District to foreclose the lien of delinquent unpaid Special Taxes pursuant to the foreclosure covenant, 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 judicial foreclosure may be delayed due to congested local court calendars or procedural delays. See "–Limitations on Remedies" below. 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 documents, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or of a partner or other equity owner of a property owner, could result in a stay of enforcement of the lien for the Special Taxes, a delay in prosecuting Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Special Taxes and could result in the possibility of delinquent Special Taxes not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien. The amount of the delinquent Special Taxes in excess of the reduced lien would then be treated as an unsecured claim by the court. Further, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such a delay 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 prosecution of foreclosure proceedings could also be delayed for other reasons, including crowded court calendars and procedural delaying tactics.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. Pursuant to the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, enacted by Congress on April 14, 2005, the lien for special taxes established after the filing of a petition in bankruptcy will be treated thereafter as a lien for ad valorem taxes.

**Other Laws.** 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 Soldier 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 such 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 the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

## **Payments by FDIC and Other Federal Agencies**

The ability of the District to collect interest and penalties allowed by State law and to foreclose on property with delinquent Special Taxes may be limited if the FDIC, the Drug Enforcement Agency, the Internal Revenue Service, or other similar governmental agency, has or obtains an interest in the property. The FDIC would obtain such an interest by taking over a financial institution which has made a loan which is secured by real property within the District.

The FDIC has issued a policy statement (the "Policy Statement") which provides that real property owned by the FDIC is subject to state and local 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 affairs of the institution for which the FDIC is acting, 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 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 or 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 the taxes. 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 its consent.

The Policy Statement provides 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 it purports to secure the payment of any such amounts. Special taxes imposed under the Act and any 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 District is unable to predict what effect the FDIC's application of the Policy Statement would have if there were a delinquency in Special Taxes levied on a parcel in the District in which the FDIC had an interest. However, it should be assumed that there would not be a buyer at a foreclosure sale if the FDIC's lien could not be foreclosed. It should also be assumed that the District will be unable to foreclose on any parcel owned by the FDIC. In either event, there would be a draw on the Reserve Account and, if the delinquency continued, there could be a default in payment of principal of and interest on the Bonds.

Furthermore, if a parcel of taxable property in the District was owned by a federal government entity or federal government sponsored entity, such as the Federal National Mortgage Association or Fannie Mae or the Federal National Home Loan Corporation or Freddie Mac, or if a private mortgage secured by a parcel of taxable property was owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability of the District to foreclose on the parcel or to collect delinquent Special Taxes would be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. Therefore, if a federal government entity, such as Fannie Mae or Freddie Mac, owned a parcel of taxable property in the District and did not pay the taxes and assessments levied on the parcel (including the Special Taxes), the District would not be able to foreclose on the parcel to collect the delinquent Special Taxes.

Also, if a federal government entity, such as Fannie Mae or Freddie Mac, had a mortgage interest in a parcel in the District and the District wished to foreclose on the parcel to collect delinquent Special Taxes, the property could not be sold at a foreclosure sale unless it could be sold for an amount sufficient to pay the delinquent Special Taxes and the other taxes and

assessments on a parity with those Special Taxes and preserve the federal government entity's mortgage interest.

In *Rust v. Johnson* (9th Circuit; 1979) 597 F. 2d 174, the United States Court of Appeal for the Ninth Circuit, held that, with respect to applicability of the supremacy clause, the Federal National Mortgage Association is a federal instrumentality and not a private entity, and that an exercise of state power over a mortgage interest of Fannie Mae constitutes an exercise of state power over property of the United States.

The District has not undertaken to determine whether any federal government entity has, or is likely to acquire, any interest (including any mortgage interest) in any property in the District, and therefore expresses no view concerning the likelihood that the risks discussed above will materialize while the Bonds are outstanding.

### **Natural Disasters; Droughts**

The District, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Most people in San Diego County live less than 15 miles from a fault that can have a damaging earthquake, such as the Rose Canyon fault along the coast and beneath downtown San Diego, and the Elsinore and San Jacinto faults that cut through the eastern portion of the County. Active faults which could cause significant ground shaking over the District include, but are not limited to, the Rose Canyon fault zone (approximately 12 miles southwest), the Elsinore fault zone (approximately 15 miles northeast), the Coronado Banks fault zone (approximately 25 miles offshore southwest), the San Jacinto fault zone (approximately 45 miles northeast) and the San Andreas fault zone (approximately 72 miles northeast). Earthquakes of magnitude of 6 (Rose Canyon fault) to 8 (San Andreas fault) on the Richter scale are possible.

In recent years portions of California have experienced outbreaks of wildfires that have burned thousands of acres at a time and destroyed thousands of homes and structures. The District has not been affected by such fires, but there can be no assurance that the District or structures within the boundaries of the District will not be impacted by wildfires in the future.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Land in the District may also be affected by droughts. In recent years, much of the State experienced a 5-year drought. From October 1, 2016, through the spring of 2017, most of the State experienced above average rainfall. On April 7, 2017, Governor Brown issued an executive order which lifted the drought emergency in all California counties, except Fresno, Kings, Tulare, and Tuolumne where emergency drinking water projects continue to help address diminished groundwater supplies. In a related action, State agencies on April 7, 2017, issued a plan to continue to make conservation a way of life in the State, as directed by Governor Brown in May 2016. The framework requires new legislation to establish long-term water conservation measures and improved planning for more frequent and severe droughts. The State's five-year drought underscored the need for permanent improvements in long-term efficient water use and drought preparedness, as called for in a previous executive order made by Governor Brown.

These actions are intended to help to ensure all communities have sufficient water supplies and are conserving water regardless of the conditions of any one year. The District cannot predict if and when the State will experience drought conditions again in the future, what effect such conditions may have on property values or whether or to what extent any water reduction requirements may affect ongoing and planned development in the District, the values of homes within the District or the ability or willingness of the Developer or homeowners to pay Special Taxes.

### **Hazardous Substances**

The presence of a hazardous substance on a parcel may result in a reduction in its value. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel 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 the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel 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. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency.

The District has no knowledge of any hazardous substances being located on property within the District.

### **Parity Taxes and Special Assessments**

Property within the District is subject to the lien of taxes and assessments imposed by public agencies and several overlapping districts also having jurisdiction over the land within the District. See "OWNERSHIP AND VALUE OF LAND IN THE DISTRICT – Direct and Overlapping Debt." The School District's policy respecting the formation of community facilities districts provides that the total tax burden (i.e., the anticipated maximum annual community facilities district special tax, together with ad valorem property taxes, special assessments, special taxes for any overlapping community facilities district, and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in the community facilities district shall not exceed 2.0% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto. See "OWNERSHIP AND VALUE OF LAND IN THE DISTRICT – Sample Tax Bill" for estimated current effective tax rates within the District.



The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by the District and other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See “– Bankruptcy,” below.

**Neither the School District nor the District has control over the ability of other entities and districts to issue indebtedness secured by taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by taxes or assessments. Any such taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-debt ratios for property within the District described herein.**

### **Non-Cash Payments of Special Taxes**

Under the Act, the Governing Body of the School District, as the Legislative Body of the District, may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a Bond in full or partial payment of any installment of the Special Taxes or the interest or penalties thereon. A Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Taxes applicable thereto by tendering a Bond. Such a practice would decrease the cash flow available to the District to make payments with respect to other Bonds then outstanding; and, unless the practice was limited by the District, the Special Taxes paid in cash could be insufficient to pay the debt service due with respect to such other Bonds.

In order to provide some protection against the potential adverse impact on cash flows which might be caused by the tender of Bonds in full or partial payment of any Special Taxes, the Fiscal Agent Agreement includes a covenant pursuant to which the District will not authorize owners of taxable parcels to satisfy Special Tax obligations by the tender of Bonds unless the District shall have first obtained a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Special Tax Revenues in any Bond year to pay the principal and interest on the Bonds remaining outstanding following such tender.

### **Limitations on Remedies**

Remedies available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest 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 and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, moratorium, or other similar laws affecting generally the enforcement of creditors' rights and by the exercise of judicial discretion in accordance with general principles of equity. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

## Constitutional Amendment

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”), Proposition 218, was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C (“Article XIII C”) and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Among other things, section 3 of Article XIII C states that “the initiative power will not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The District believes, however, that Article XIII C confers on the voters no greater power as to the reduction or repeal of the Special Taxes than the power reserved to the Legislative Body of the District (i.e., the Governing Body of the School District).

The Act imposes on the Governing Body of the School District, as the Legislative Body of the District, a statutory duty to levy that amount of Special Taxes which is required for the payment of the principal of and interest on the Bonds, including any necessary replenishment of bond reserve funds and any amount required by federal law to be rebated to the United States for the Bonds (the “Minimum Levy”). In addition, the Act prohibits the Governing Body from adopting any resolution to reduce the rates of the Special Taxes or terminate the levy of the Special Taxes pledged to repay the Bonds unless it determines that the reduction or termination of the Special Taxes would not interfere with the timely retirement of the Bonds. Accordingly, the District believes that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes below the amounts required for the Minimum Levy. However, the application of the Initiative will ultimately be determined by the courts. It is not possible to predict, with certainty, how the courts will interpret the initiative or the nature of any remedy that may be granted by the courts. See “– Limitations on Remedies” below. Furthermore, 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 the Special Taxes if such reduction would interfere with the timely retirement of the Bonds. However, no assurance can be given regarding the future levy of the Special Taxes in amounts greater than the level required for the Minimum Levy.

Like its antecedents, the Initiative is likely to continue to undergo both judicial and legislative scrutiny before its impact on the District and its obligations can be determined. Certain provisions of the Initiative may be examined by the courts for their constitutionality under both State and federal constitutional law. The District is not able to predict the outcome of any such examination. For example, on August 1 2014, in *City of San Diego vs. Shapiro*, an Appellate Court ruled that an election held by the city of San Diego to authorize the levying of special taxes on hotels city-wide pursuant to a city passed ordinance creating a convention center facilities district which specifically defined the electorate to consist solely of (1) the owners of real property in the city on which a hotel is located, and (2) the lessees of real property owned by a governmental

entity on which a hotel is located, was invalid under the California Constitution because such landowners and lessees are neither “qualified electors” of the city for purposes of Articles XIII A, Section 4 of the California Constitution nor do they comprise a proper “electorate” under Article XIII C, Section 2(d). The Court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes pursuant to Section 53326(b) of the Act is constitutional under Article XIII A, Section 4 and Article XIII C, Section 2(d) in districts that lack sufficient registered voters to conduct an election among registered voters, and thus does not affect the validity of the levy of the Special Taxes by the District. In addition, certain provisions of the Act that establish a time limit for initiating any challenge to the validity of the Special Taxes levied pursuant to the Act would provide an obstacle to any party which sought to present a legal challenge to the validity of the Special Taxes based on the *City of San Diego v. Shapiro* case.

The foregoing discussion of the Initiative, and related matters should not be considered an exhaustive or authoritative treatment of such issues. The District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Initiative on the Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of the Initiative.

### **Future Initiatives and Legislative Measures**

The Initiative was submitted to and approved by the voters of the State pursuant to the State’s constitutional initiative process. The Supreme Court of the State has held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption of taxes from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by the voters of the State and the State has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. The adoption of any such initiative or legislation might place limitations on the ability of the State, the District and other local districts to increase revenues or increase appropriations or on the ability of the property owners to complete the remaining proposed development of the land in the District.

### **District Formation; Potential Future Litigation**

California voters approved an amendment (“Article XIII A”) to the California Constitution on June 6, 1978. Section 4 of Article XIII A, requires a vote of two-thirds of the qualified electorate to impose “special taxes,” or any additional ad valorem, sales or transaction taxes on real property. At an election held pursuant to the Act, the single qualified landowner elector within the District voted to authorize the District to incur bonded indebtedness to finance school facilities and approved the Rate and Method of Apportionment. The Supreme Court of the State has not yet decided whether landowner elections (as opposed to resident elections) satisfy requirements of Section 4 of Article XIII A, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a “special tax” for purposes of Article XIII A.

Section 53341 of the Act requires that any action or proceeding to attack, review, set aside, void or annul the levy of a special tax or an increase in a special tax pursuant to the Act shall be commenced within 30 days after the special tax is approved by the voters. No such action has been filed with respect to the Special Taxes. However, no assurance can be given that lawsuits against the District’s formation could not be filed in the future.

For example, in August 2018, the Building Industry Association of San Diego County sued the School District, arguing that increased developer fees imposed on development projects within the boundaries of the School District constituted illegal taxes. Although the lawsuit, as initially filed, does not challenge the validity of the formation of the District or the validity of the Special Taxes or issuance of the Bonds, there can be no assurance that the lawsuit could not be amended in the future or other lawsuits could not be filed in the future that include such challenges. Lawsuits against the School District like the one filed in August 2018 may also reduce the willingness of some homeowners to pay the Special Taxes when due.

### **Disclosure to Future Purchasers**

The District recorded a Notice of the Special Tax Lien for the territory initially included in the District in the Office of the County Recorder of the County. 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 commercial facility or residential units or the lending of money thereon. Failure to disclose the existence of the Special Taxes may affect the willingness and ability of future owners of land within the District to pay the Special Taxes when due.

### **Billing and Collection of Special Taxes**

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by the district.

Under provisions of the Act, the Special Taxes are billed to the properties within the District which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future.

The District has covenanted in the Fiscal Agent Agreement under certain conditions to institute foreclosure proceedings against property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Taxes to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. 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. Although the Act authorizes the Governing Board to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the Governing Board with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale.

See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

**No Acceleration Provision**

The Bonds are not subject to acceleration under the terms of the Bonds or the Fiscal Agent Agreement. Pursuant to State law, any Owner of any of the Bonds is given the right for the equal benefit and protection of all owners similarly situated to pursue certain remedies described under “SECURITY FOR THE BONDS” and in APPENDIX E.

**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 the Bonds can be sold for any particular price. The Underwriter will not be obligated to repurchase any of the Bonds. Although the District has 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 “CONTINUING DISCLOSURE” herein. 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.

**Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption**

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 Owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such or future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of, 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.

As discussed in this Official Statement, under the caption “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Fiscal Agent Agreement.

**Cyber Security**

The School District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District is potentially subject

to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the School District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The School District has never had a major cyber breach that resulted in a financial loss. The School District maintains insurance coverage for cyber security losses should a successful breach ever occur.

No assurance can be given that the School District's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the School District or the Community Facilities District. The School District is also reliant on other entities and service providers, such as the County Treasurer for the levy and collection of Special Taxes securing payment of the Bonds, the Fiscal Agent in its role as paying agent and the Dissemination Agent in connection with compliance with its disclosure undertakings. No assurance can be given that the School District or the Community Facilities District.

**TAX MATTERS**

**Tax Exemption**

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, compliance with certain covenants, interest the Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District complies with all requirements of 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 District has covenanted in the Fiscal Agent Agreement 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. The Fiscal Agent Agreement and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel. Bond Counsel expresses no opinion regarding other tax consequences arising with respect to the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income taxation.

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. Bond Counsel expresses no opinion regarding any federal or State tax consequences arising with respect to the Bonds other than as expressly described above. See

## APPENDIX D – “FORM OF OPINION OF BOND COUNSEL” for the proposed form of the opinion of Bond Counsel.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the School District, as applicable, or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the Internal Revenue Service (the “IRS”). Under current procedures, parties other than the District and their respective appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of Bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District, the School District or the Beneficial Owners to incur significant expense.

### **Original Issue Discount; Premium Bonds**

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 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 semi-annually (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 the 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.

The 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.

### **Backup Withholding**

Interest paid with respect to tax-exempt obligations such as the Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In

addition, interest with respect to the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

**IRS Audit of Tax-Exempt Bond Issues**

The IRS has initiated an expanded program for the auditing of 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 might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds or securities).

**LEGAL MATTERS**

**Legal Opinion**

The legal opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, approving the validity of each of the Bonds will be made available to purchasers at the time of original delivery and is attached hereto as APPENDIX D. A copy of the legal opinion will be printed on each Bond.

**Absence of Litigation**

At the time of delivery of and payment for the Bonds, the School District will deliver a certificate to the effect that there is no known action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency against the School District or the District affecting the existence of the School District or the District or the title of their respective officers to office or seeking to restrain or to enjoin the issuance, sale, or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Taxes to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Fiscal Agent Agreement, or any other applicable agreements or any action of the School District or the District or contemplated by any of said documents.

**Legal Matters Incident to the Issuance of the Bonds**

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, acting in its capacity as Bond Counsel. The unqualified opinion of Bond Counsel approving the validity of the Bonds will be attached to each Bond, and the form of such opinion is attached hereto as APPENDIX D. Bond Counsel's employment is limited to a review of legal procedures required for the approval of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation. Certain legal matters related to disclosure will be passed upon for the District by Jones Hall, A Professional Law Corporation, acting in its capacity as Disclosure Counsel. James F. Anderson Law Firm, A Professional Corporation, is acting as counsel for the Underwriter. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.



## CONTINUING DISCLOSURE

### The District

The District has covenanted in a Continuing Disclosure Certificate for the benefit of the Bondowners to provide annually certain financial information and operating data, and to provide notices of the occurrence of certain listed events. The District has agreed in the Continuing Disclosure Certificate to file, or cause to be filed, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at [www.emma.msrb.org](http://www.emma.msrb.org), this information. Each annual report will be due March 31st of each year the Bonds are outstanding, commencing with March 31, 2020 (consisting of this Official Statement and the audited financial statements of the School District for the fiscal year ending June 30, 2019). See “APPENDIX C – Forms of Continuing Disclosure Certificate.” The covenants of the District have been made in order to assist the Underwriter in complying with the Rule.

The District has no prior continuing disclosure undertakings. The District, the School District and other related entities recently completed a review of their previous disclosure filings for previously issued securities for the past five years. As described below, the results of the review of their respective disclosure filings indicate that the School District and other related entities have not, on several occasions during the past five years, fully complied with their respective prior continuing disclosure undertakings under the Rule.

With respect to the School District, the review indicates, for example, that within the last five years annual reports, audited financial statements or budget information filed with respect to various financings by the School District were filed after the filing due date. Further, the School District did not, on or before the dates specified in the related continuing disclosure undertakings, submit notices of late filings of annual reports. The School District subsequently filed all annual reports, audited financial statements, budget information, and notices of the occurrence of listed events, and to the best of the School District’s knowledge and information the School District is otherwise currently in material compliance with its previous undertakings for the past five years. The School District also subsequently filed notices reporting its late filings.

With respect to the San Marcos School Financing Authority (the “Authority”), the review indicates, for example, that within the last five years the fiscal year 2017-18 annual report was not properly linked to certain CUSIPs associated with its Lease Revenue Bonds, Series 2010. The Authority subsequently filed all such annual report information, and to the best of the Authority’s knowledge and information the Authority is otherwise currently in material compliance with its previous undertakings for the past five years. The Authority also subsequently filed notices reporting their late filings.

The subsequent filings, notices, and event notices of the School District and the Authority were filed with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at [www.emma.msrb.org](http://www.emma.msrb.org). To improve compliance with their respective continuing disclosure obligations, including, but not limited to, facilitating that their annual reports, audited financial statements, budget information, and any event notices and other notices are filed on a timely basis in the future, the District, the School District, and their related entities have engaged Cooperative Strategies, LLC to act as Dissemination Agent on their outstanding securities. See “APPENDIX C – Form of Continuing Disclosure Certificate” herein.

## **D.R. Horton**

D.R. Horton has also agreed for the benefit of Owners of the Bonds to provide certain information relating to the property it or its affiliates owns in the District by not later than April 1 and October 1 of each year (reflecting reported information as of a date no more than 60 days prior) beginning with the report due April 1, 2020 and to provide notices of the occurrence of certain enumerated events. The obligation of D.R. Horton to provide such information is in effect only until 150 homes within the boundaries of the District have been sold, at which point its continuing disclosure obligation will terminate. D.R. Horton's reporting obligation may end in certain other circumstances, as described in "APPENDIX C – Form of Continuing Disclosure Certificate."

D.R. Horton's Southern California/Inland Empire Division is the division which will be responsible for complying with its obligations under the Developer Continuing Disclosure Agreement. D.R. Horton has represented to the District that, other than as described below, D.R. Horton has not failed to comply in any material respect with any previous undertakings to provide annual reports, semiannual reports or notices of listed events in California in the last five years.

D.R. Horton's homebuilding operations in southern California were previously comprised of several operating divisions with various offices located throughout the southern California region. Over the past five years D.R. Horton experienced various division consolidations and office closures. Various employees previously responsible for certain continuing disclosure compliance are no longer with the company and files from past bond issuances are not in a centralized location. However, D.R. Horton's Southern California/Inland Empire Division, which currently operates out of one office in Corona, California, currently has a centralized process to determine its compliance with past continuing disclosure obligations. D.R. Horton's Southern California/Inland Empire Division also is the division which is responsible for complying with certain continuing disclosure undertakings by D.R. Horton CA3, Inc., a Delaware corporation ("DRCA3"), and D.R. Horton Los Angeles Holding Company, Inc., a California corporation ("DRHLA"), other subsidiaries of D.R. Horton's parent company (i.e., D.R. Horton Inc., a Delaware corporation).

D.R. Horton conducted a review of compliance with disclosure undertakings by D.R. Horton for filings since September 1, 2014, and a review of the Southern California/Inland Empire Division's compliance with disclosure undertakings by DRCA3 and DRHLA for filings since September 1, 2014. Except as disclosed below, such reviews did not identify any material failures to comply with prior disclosure undertakings by D.R. Horton, DRCA3 and DRHLA during the period reviewed. However, in connection with a continuing disclosure obligation entered into with respect to the \$19,305,000 California Statewide Communities Development Authority Community Facilities District No. 2017-4 (Horse Creek Ridge) Special Tax Bonds, Series, 2018, DRHLA was late in filing its first annual report due December 15, 2018. The oversight was discovered in May 2019, and DRHLA promptly filed a curative report on May 15, 2019 or approximately five months after the due date. In connection with a continuing disclosure obligation entered into with respect to the \$7,920,000 City of Ontario CFD 34 (Countryside Phase 1 North - Facilities) Special Tax Bonds, Series 2018, D.R. Horton was one day late in filing the periodic report due on April 30, 2018. In connection with a continuing disclosure obligation entered with respect to the \$7,370,000 Jurupa USD CFD 12 Special Tax Bonds, 2015 Series A, D.R. Horton sent the periodic report due on April 1, 2016 to the dissemination agent on Thursday, March 31, 2016, although the report was filed with EMMA three days after the due date or on Monday, April 4, 2016. Identification of the above-described events does not constitute a representation by D.R. Horton that any such event is material.

## **NO RATINGS**

The District has not applied to a rating agency for the assignment of a rating to the Bonds and does not contemplate applying for a rating.

## **UNDERWRITING**

The Bonds are being purchased by the Underwriter for a price of \$3,297,559.10 being equal to the initial principal amount of the Bonds of \$3,415,000, less a net original issue discount of \$49,140.90 and less an Underwriter's discount of \$68,300.00. The Underwriter has committed to purchase all of the Bonds if any of such Bonds are purchased.

The Bonds are being offered for sale to the public at the price set forth on the inside cover page of this Official Statement, which price may be changed by the Underwriter from time to time without notice. The Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring Bonds for their own account or an account managed by them, at prices lower than the public offering price.

## EXECUTION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the District.

COMMUNITY FACILITIES DISTRICT NO.  
11 OF THE SAN MARCOS UNIFIED  
SCHOOL DISTRICT

By: \_\_\_\_\_ /s/ Mark Schiel  
Assistant Superintendent, Business  
Services, on behalf of Community Facilities  
District No. 11 of the San Marcos Unified  
School District

**APPENDIX A**

**RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

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**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES OF  
COMMUNITY FACILITIES DISTRICT NO. 11  
OF THE SAN MARCOS UNIFIED SCHOOL DISTRICT**

A Special Tax (as defined herein) shall be levied on and collected from all Assessor's Parcels (as defined herein) in Community Facilities District No. 11 of the San Marcos Unified School District, a public school district organized and existing under the laws of the State of California each Fiscal Year commencing in Fiscal Year 2019/2020, in an amount determined by the Board through the application of this Rate and Method of Apportionment of Special Taxes ("RMA") described below. All the real property within the District, unless exempted by law or by provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

**SECTION A  
DEFINITIONS**

Unless expressly set forth herein, for purposes of this RMA, the terms hereinafter set forth shall have the following meaning(s):

"**Acreage**" means the number of acres of land area within 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 Administrator may rely on the land area shown on the applicable Final Map.

"**Act**" means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"**Administrative Expenses**" means any ordinary and necessary expense incurred by the School District on behalf of the District related to (i) the determination of the amount of the levy of Special Taxes, (ii) the collection of Special Taxes, including, but not limited to, the reasonable expenses of collecting delinquencies, (iii) the administration of Bonds, (iv) the proportionate payment of salaries and benefits of any School District employee whose duties are directly related to the administration of the District, and (v) reasonable costs otherwise incurred in order to carry out the authorized purposes of the District.

"**Administrator**" means an official of the School District, or designee thereof, responsible for determining and directing the levy and collection of the Special Taxes.

"**Annual Special Tax**" means the Special Tax actually or expected to be levied in any Fiscal Year on any Assessor's Parcel.

"**Approved Property**" means all Assessor's Parcels of Taxable Property that (i) are associated with a Lot in a Final Map that was recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied and (ii) have not been issued a building permit prior to the May 1 preceding the Fiscal Year in which the Special Tax is being levied.

"**Assessor's Parcel**" means a parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number which is within the boundaries of the District.

"**Assessor's Parcel Map**" means an official map of the Assessor of the County designating parcels by Assessor's Parcel Number.

"**Assessor's Parcel Number**" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"**Assigned Annual Special Tax**" means the Special Tax of that name described in Section D hereof.

"**Backup Annual Special Tax**" means the Special Tax of that name described in Section E hereof.

"**Board**" means the Governing Board (Board of Education) of the School District, or its designee, acting as the Legislative Body of the District.

"**Bond Index**" means the national Bond Buyer Revenue Index, commonly referenced as the 25-Bond Revenue Index. In the event the Bond Index ceases to be published, the index used shall be based on a comparable index for revenue bonds maturing in 30 years with an average rating equivalent to Moody's A1 and/or Standard & Poor's A+, as determined by the Board.

"**Bond Yield**" means the yield of the last series of Bonds issued. For purposes of this calculation the yield of the Bonds shall be the yield calculated at the time such Bonds are issued, pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, for the purpose of the Non-Arbitrage (Tax) Certificate or other similar bond issuance document.

"**Bonds**" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, loans from banks, loans from other financial institutions, loans from private businesses, loans from individuals, long-term contracts, or any refunding thereof, to which the Special Taxes have been pledged for repayment.

"**Building Square Footage**" or "**BSF**" means the square footage of assessable internal living space of a Unit, exclusive of any carports, walkways, garages, overhangs, patios, enclosed patios, detached accessory structure, other structures not used as living space, or any other square footage excluded under California Government Code Section 65995 as determined by reference to the building permit(s) for such Unit.

"**City**" means the City of Vista, or any successor agency.

"**County**" means the County of San Diego.



**"Developed Property"** means all Assessor's Parcels of Taxable Property for which building permit(s) were issued on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year, as determined reasonably by the Administrator.

**"District"** means Community Facilities District No. 11 of the School District.

**"Exempt Property"** means all Assessor's Parcels designated as being exempt from Special Taxes pursuant to Section K hereof.

**"Final Map"** means a final tract map, parcel map, condominium map, lot line adjustment, or functionally equivalent map or instrument that creates individual Lots, recorded in the Office of the County Recorder.

**"Fiscal Year"** means the period commencing on July 1 of any year and ending on the following June 30.

**"Lot"** means an individual legal lot created by a Final Map for which a building permit for residential construction has been or could be issued.

**"Maximum Special Tax"** means, for each Assessor's Parcel, the maximum Special Tax, determined in accordance with Section C, which can be levied by the District in a given Fiscal Year on such Assessor's Parcel.

**"Mitigation Agreement"** means the School Facilities Funding Agreement made and entered into as of May 15, 2018, by the School District and Western Pacific Housing, Inc., applicable to the territory covered by the District.

**"Net Taxable Acreage"** means the total Acreage of Developed Property expected to exist within the boundaries of the District after all Final Maps are recorded.

**"Partial Prepayment Amount"** means the amount required to prepay a portion of the Special Tax obligation for an Assessor's Parcel as described in Section H hereof.

**"Prepayment Administrative Fees"** means any fees or expenses of the School District or the District associated with the prepayment of the Special Tax obligation of an Assessor's Parcel. Prepayment Administrative Fees shall include, among other things, the cost of computing the Prepayment Amount, redeeming Bonds and recording any notices to evidence such prepayment and/or redemption of Bonds.

**"Prepayment Amount"** means the amount required to prepay the Special Tax obligation in full for an Assessor's Parcel as described in Section G hereof.

**"Present Value of Taxes"** means, for any Assessor's Parcel, the present value of (i) the unpaid portion, if any, of the Annual Special Tax applicable to such Assessor's Parcel in the current Fiscal Year and (ii) the Special Taxes expected to be levied on such Assessor's Parcel in each remaining Fiscal Year, as determined by the Administrator, until the termination date specified in Section J. The discount rate used for this calculation shall be equal to (a) the Bond Yield after Bond issuance or (b) the most recently published Bond Index prior to Bond issuance.

**"Proportionately"** means that the ratio of the actual Annual Special Tax levy to the applicable Assigned Annual Special Tax is equal for all applicable Assessor's Parcels. In the case of Developed Property subject to apportionment of the Annual Special Tax under Step Four of Section F, "Proportionately" shall mean that the quotient of (i) the Annual Special Tax less the Assigned Annual Special Tax divided by (ii) the Backup Annual Special Tax less the Assigned Annual Special Tax is equal for all applicable Assessor's Parcels.

**"Provisional Undeveloped Property"** means all Assessor's Parcels of Taxable Property that would otherwise be classified as Exempt Property pursuant to Section K, but which cannot be classified as Exempt Property because to do so would reduce the Net Taxable Acreage below the required minimum Acreage set forth in Section K, as applicable.

**"Reserve Fund Credit"** means an amount equal to the lesser of (i) the reduction in the applicable reserve fund requirement(s) resulting from the redemption of Bonds with the Prepayment Amount or (ii) ten percent (10%) of the amount of Bonds which will be redeemed. In the event that a surety bond or other credit instrument satisfies the reserve requirement or the reserve requirement is underfunded at the time of the applicable prepayment, no Reserve Fund Credit shall be given.

**"School District"** means the San Marcos Unified School District, a public school district organized and operating pursuant to the Constitution and laws of the State of California.

**"Special Tax"** means any of the special taxes authorized to be levied by the District pursuant to the Act and this RMA.

**"Special Tax Requirement"** means the amount required in any Fiscal Year to pay (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account(s) established in association with the Bonds, (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the Bonds, and (v) the collection or accumulation of funds for the acquisition or construction of facilities authorized by the District provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Approved Property, Undeveloped Property, or Provisional Undeveloped Property as set forth in Steps Two through Four of Section F, less (vi) any amount(s) available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document. In arriving at the Special Tax Requirement the Administrator shall take into account the reasonably anticipated

delinquent Special Taxes, provided that the amount included cannot cause the Annual Special Tax of an Assessor Parcel of Developed Property to increase by greater than ten percent (10%) of what would have otherwise been levied.

"**Taxable Property**" means all Assessor's Parcels which are not Exempt Property.

"**Undeveloped Property**" means all Assessor's Parcels of Taxable Property which are not Developed Property, Approved Property or Provisional Undeveloped Property.

"**Unit**" means each separate residential dwelling unit, including, but not limited to, a single family attached or detached unit, condominium, an apartment unit, mobile home, or otherwise, excluding hotels and motels.

**SECTION B  
CLASSIFICATION OF ASSESSOR'S PARCELS**

Each Fiscal Year, commencing with Fiscal Year 2019/2020, all Assessor's Parcels within the District shall be classified as either Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be classified as Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property. Developed Property shall be further assigned to a Land Use Class, according to Table 1 below, based on the Building Square Footage of each Unit.

**Table 1  
Land Use Classification**

Land Use Class	Building Square Footage
1	< 1,351 sq. ft.
2	1,351 – 1,450 sq. ft.
3	1,451 – 1,550 sq. ft.
4	1,551 – 1,650 sq. ft.
5	1,651 – 1,750 sq. ft.
6	> 1,750 sq. ft.

**SECTION C  
MAXIMUM SPECIAL TAX**

**1. Developed Property**

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of the amount derived by the application of the (a) Assigned Annual Special Tax or (b) Backup Annual Special Tax.

**2. Approved Property**

The Maximum Special Tax for each Assessor's Parcel classified as Approved Property shall be derived by the application of the Assigned Annual Special Tax.

**3. Undeveloped Property**

The Maximum Special Tax for each Assessor's Parcel classified as Undeveloped Property or Provisional Undeveloped Property shall be derived by the application of the Assigned Annual Special Tax.

**SECTION D  
ASSIGNED ANNUAL SPECIAL TAXES**

**1. Developed Property**

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property will be calculated in accordance with Table 2 below, subject to increases as described below.

**Table 2  
Fiscal Year 2019/2020  
Assigned Annual Special Taxes for  
Developed Property**

Land Use Class	Building Square Footage	Assigned Annual Special Tax
1	< 1,351 sq. ft.	\$830.00 per Unit
2	1,351 – 1,450 sq. ft.	\$865.00 per Unit
3	1,451 – 1,550 sq. ft.	\$900.00 per Unit
4	1,551 – 1,650 sq. ft.	\$935.00 per Unit
5	1,651 – 1,750 sq. ft.	\$970.00 per Unit
6	> 1,750 sq. ft.	\$1,005.00 per Unit

**2. Approved Property, Undeveloped Property and Provisional Undeveloped Property**

The Assigned Annual Special Tax for each Assessor's Parcel of Approved Property, Undeveloped Property, or Provisional Undeveloped Property shall be \$13,149.27 per acre of Acreage, subject to increases as described below.

**3. Increases in the Assigned Annual Special Tax**

**a. Developed Property**

On each July 1, commencing July 1, 2020, the Assigned Annual Special Tax applicable to Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

b. **Approved Property, Undeveloped Property and Provisional Undeveloped Property**

On each July 1, commencing July 1, 2020, the Assigned Annual Special Tax for Approved Property, Undeveloped Property and Provisional Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**SECTION E  
BACKUP ANNUAL SPECIAL TAX**

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax.

1. **Calculation of the Backup Annual Special Tax Rate**

The Backup Annual Special Tax for an Assessor's Parcel of Developed Property within a Final Map shall be the rate per Lot calculated in accordance with the following formula in Fiscal Year 2019/2020 or such later Fiscal Year in which such Final Map is created, subject to increases as described below:

$$B = (U \times A) / L$$

The terms above have the following meanings:

- |   |   |  |
|---|---|--|
| B | = | Backup Annual Special Tax per Lot for the applicable Fiscal Year   |
| U | = | Assigned Annual Special Tax per Acre of Undeveloped Property in the Fiscal Year the calculation is performed                   |
| A | = | Acreage of Taxable Property expected to exist in such Final Map at the time of calculation, as determined by the Administrator |
| L | = | Number of Lots in the applicable Final Map at the time of calculation.   |

2. **Changes to a Final Map**

If the Final Map(s) described in the preceding paragraph are subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property changed or modified in each such Final Map shall be a rate per square foot of Acreage calculated as follows:

- a. Determine the total Backup Annual Special Tax revenue anticipated to apply to the changed or modified Assessor's Parcels prior to the change or modification.
- b. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property of the modified Assessor's Parcels, as reasonably determined by the Administrator.
- c. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage that shall be applicable to the modified Assessor's Parcels, subject to increases as described below.

**3. Increase in the Backup Annual Special Tax**

Each July 1, commencing the July 1 following the initial calculation of the Backup Annual Special Tax rate for Developed Property within a Final Map, the Backup Annual Special Tax for each Lot within such Final Map shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

**SECTION F  
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX**

Commencing Fiscal Year 2019/2020 and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes on all Taxable Property in accordance with the following steps:

**Step One:** The Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

**Step Two:** If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

**Step Three:** If additional moneys are needed to satisfy the Special Tax Requirement after the second step has been completed, the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

**Step Four:** If additional moneys are needed to satisfy the Special Tax Requirement after the third step has been completed, the Annual Special Tax on each Assessor's Parcel of Developed Property, whose Maximum Special Tax is the Backup Annual

Special Tax, shall be increased Proportionately from the Assigned Annual Special Tax up to 100% of the Backup Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

**Step Five:** If additional moneys are needed to satisfy the Special Tax Requirement after the fourth step has been completed, the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

**SECTION G  
PREPAYMENT OF ANNUAL SPECIAL TAXES**

**1. Special Tax Prepayment Terms and Conditions**

The Annual Special Tax obligation of an Assessor's Parcel of Taxable Property may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel and subject to the limitations set out herein. An owner of an Assessor's Parcel intending to prepay the Assigned Annual Special Tax shall provide the School District with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Administrator shall determine the Prepayment Amount for such Assessor's Parcel and shall notify such owner, in writing, of such Prepayment Amount.

**2. Special Tax Prepayment Calculation**

The Prepayment Amount shall be calculated according to the following formula:

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

- P = Prepayment Amount
- PVT = Present Value of Taxes
- RFC = Reserve Fund Credit
- PAF = Prepayment Administrative Fees

3. **Special Tax Prepayment Procedures and Limitations**

The amount representing the Present Value of Taxes attributable to the prepayment less the Reserve Fund Credit attributable to the prepayment shall, prior to the issuance of Bonds, be deposited into a separate account held with the School District, on behalf of the District, and disbursed in accordance with the Mitigation Agreement and after the issuance of Bonds be deposited into the applicable account or fund established under the applicable trust agreement, indenture agreement or fiscal agent agreement and used to pay debt service and/or redeem Bonds. The amount representing the Prepayment Administrative Fees attributable to the prepayment shall be retained and deposited into the applicable account by the District.

With respect to any Assessor's Parcel for which the Special Taxes are fully prepaid, the Board shall indicate in the records of the District that there has been a prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Assigned Annual Special Taxes that may be levied on Taxable Property, excluding Provisional Undeveloped Property, after such prepayment net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all then-currently outstanding Bonds, as reasonably determined by the Administrator. Such determination shall include identifying all Assessor's Parcels that are expected to be classified as Exempt Property.

**SECTION H  
PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES**

1. **Partial Prepayment Terms and Conditions**

The Annual Special Tax obligation of Assessor's Parcels of Taxable Property may be partially prepaid in increments of ten (10) units, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcels at the time the Annual Special Tax obligation would be partially prepaid. An owner of such Assessor's Parcel(s) intending to partially prepay the Assigned Annual Special Tax shall provide the District with written notice of their intent to partially prepay. Within thirty (30) days of receipt of such written notice, the Administrator shall determine the Partial Prepayment Amount of each such Assessor's Parcel and shall notify such owner of such Partial Prepayment Amount.



**2. Partial Prepayment Calculation**

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = PVT \times F - RFC + PAF$$

The terms above have the following meanings:

PP	=	the Partial Prepayment Amount
PVT	=	Present Value of Taxes
F	=	the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

**3. Partial Prepayment Procedures and Limitations**

The amount representing the Present Value of Taxes attributable to the prepayment less the Reserve Fund Credit attributable to the prepayment shall, prior to the issuance of Bonds, be deposited into a separate account held with the School District and disbursed in accordance with the Mitigation Agreement and after the issuance of Bonds be deposited into the applicable account or fund established under the trust agreement or indenture agreement or fiscal agent agreement and used to pay debt service and/or redeem Bonds. The amount representing the Prepayment Administrative Fees attributable to the prepayment shall be retained and deposited into the applicable account by the District.

With respect to any Assessor's Parcel that is partially prepaid, the District shall indicate in the records of the District that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. Additionally, the notice shall indicate that the Assigned Annual Special Tax and the Backup Annual Special Tax, if applicable, for the Assessor's Parcel has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, excluding Provisional Undeveloped Property, after such partial prepayment, net of Administrative

Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such partial prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Administrator. Such determination shall include identifying all Assessor's Parcels that are expected to be classified as Exempt Property.

Notwithstanding the above, the ability to prepay the Annual Special Tax obligation of an Assessor's Parcel may be suspended, by the Administrator, acting in his or her absolute and sole discretion for and on behalf of the District, without notice to the owners of property within the District for a period of time, not to exceed sixty (60) days, prior to the scheduled issuance of Bonds by the District to assist in the efficient preparation of the required bond market disclosure.

### **SECTION I ANNUAL SPECIAL TAX REMAINDER**

In any Fiscal Year which the Annual Special Taxes collected from Developed Property exceeds the amount needed to make regularly scheduled annual interest and principal payments on outstanding Bonds and pay Administrative Expenses, the School District may use such amount for acquisition, construction or financing of facilities in accordance with the terms of the Mitigation Agreement and to pay certain costs associated with the maintenance and operations of School District school facilities in accordance with the Act, the District proceedings and other applicable laws as determined by the Board.

### **SECTION J TERMINATION OF SPECIAL TAX**

The Annual Special Tax shall be levied for a term of five (5) Fiscal Years after the final maturity of the last series of Bonds, provided that the Annual Special Tax shall not be levied later than Fiscal Year 2061/2062. However, notwithstanding the foregoing sentence, the Special Tax may cease to be levied in an earlier Fiscal Year if the Board has determined (i) that all required interest and principal payments on the Bonds have been paid, (ii) all authorized facilities of the District have been acquired and all reimbursements have been paid, and (iii) all other obligations of the District have been satisfied.

### **SECTION K EXEMPTIONS**

The Administrator shall classify as Exempt Property in the chronological order in which each Assessor Parcel becomes (i) owned by the State of California, federal or other local governments, (ii) used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) owned by a homeowners' association, (iv) burdened with a public or utility easements making impractical their utilization for other than the purposes set forth in the easement, or (v) any other Assessor's Parcels at the reasonable

discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage to less than 13.34 ("Minimum Taxable Acreage").

Notwithstanding the above, the Administrator or Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Minimum Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Taxable Acreage will be classified as Provisional Undeveloped Property and will continue to be subject to Special Taxes accordingly.

## **SECTION L APPEALS**

Any property owner claiming that the amount or application of the Special Tax levied on his or her property is not correct may file a written notice of appeal with the Administrator which appeal must be received by the Administrator not later than six (6) months after having paid the first installment of the Special Tax that is disputed. The reissuance or cancellation of a building permit is not an eligible reason for appeal. In order to be considered sufficient, any notice of appeal must (i) specifically identify the property by address and Assessor's Parcel Number, (ii) state the amount in dispute and whether such appeal affects the whole amount or only a portion of the Special Tax, (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect, (iv) include all documentation, if any, in support of the claim, and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) as the representative's decision shall indicate.

## **SECTION M MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that the District may directly bill all or a portion of the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of ten percent (10%) of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1<sup>st</sup> after the delinquency date and the first of each month thereafter until such Special Taxes are paid.

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**APPENDIX B**  
**APPRAISAL REPORT**

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APPRAISAL REPORT

COVERING

Community Facilities District No. 11  
of the San Marcos Unified School District

DATE OF VALUE:

September 5, 2019

SUBMITTED TO:

San Marcos Unified School District  
255 Pico Ave., Suite 250  
San Marcos, CA 92069

Attn: Mark Schiel  
Assistant Superintendent of  
Business Services

DATE OF REPORT:

September 12, 2019

SUBMITTED BY:

Stephen G. White, MAI  
1370 N. Brea Blvd., Suite 255  
Fullerton, CA 92835

# Stephen G. White, MAI



Real Estate Appraiser

1370 N. BREA BLVD., SUITE 255 · FULLERTON, CALIFORNIA 92835-4173  
(714) 738-1595

September 12, 2019

San Marcos Unified School District  
255 Pico Ave., Suite 250  
San Marcos, CA 92069

Re: Community Facilities District  
No. 11 of the San Marcos Unified  
School District

Attn: Mark Schiel  
Assistant Superintendent of  
Business Services

Dear Mr. Schiel:

In accordance with your request and authorization, I have completed an appraisal of the identified taxable properties within the above-referenced Community Facilities District (CFD), with the results presented in this Appraisal Report. These properties consist of a total of 189 parcels/lots being developed by D.R. Horton with two product types of attached two and three-story condominium homes, allocated as follows:

<u>Product Type</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>	<u>Total Lots</u>
Verano at Skyline	46	10	53	109
Solara at Skyline	<u>36</u>	<u>0</u>	<u>44</u>	<u>80</u>
	82	10	97	189

The purpose of this appraisal is to estimate the aggregate market value of the “as is” condition of the subject properties by each product type, reflecting the status of the completed-closed homes (closed builder sales), completed-unclosed homes, homes under construction and vacant lots. The values are also allocated to individual homeowners (completed-closed homes) and builder ownership (completed-unclosed homes, homes under construction and vacant lots). In addition, this appraisal reflects the proposed CFD bond financing, as well as the effective tax rates that are estimated to range from 1.28% to 1.30%, based on the home pricing and including special taxes of the CFD.

Based on the general inspections of the properties and analysis of matters pertinent to value, the following conclusions of market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of September 5, 2019:



MR. MARK SCHIEL  
 SEPTEMBER 12, 2019  
 PAGE 2

<u>Product Type</u>	<u>No. Lots/Units</u>	<u>Market Value</u>
<b>Verano at Skyline</b>		
<i>Individual Owners (completed-closed homes):</i>	24	\$12,240,000
<i>Builder Ownership (completed-unclosed homes):</i>	22	\$9,240,000
<i>Builder Ownership (homes under construction):</i>	10	\$2,700,000
<i>Builder Ownership (vacant lots):</i>	<u>53</u>	<u>\$8,700,000</u>
	109	\$32,880,000
<b>Solara at Skyline</b>		
<i>Individual Owners (completed-closed homes):</i>	11	\$6,105,000
<i>Builder Ownership (completed-unclosed homes):</i>	25	\$10,750,000
<i>Builder Ownership (vacant lots):</i>	<u>44</u>	<u>\$7,700,000</u>
	80	\$24,555,000
<b>TOTALS</b>	189	\$57,435,000


**(FIFTY-SEVEN MILLION FOUR HUNDRED THIRTY-FIVE THOUSAND DOLLARS)**

A further allocation of the values by ownership is as follows:

<u>Ownership</u>	<u>No. Lots/Units</u>	<u>Market Value</u>
Individual Owners:	35	\$18,345,000
D.R. Horton:	<u>154</u>	<u>\$39,090,000</u>
	189	\$57,435,000

The following is the balance of this 39-page Appraisal Report which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation and market data from which the value conclusions were derived.

Sincerely,

  
 \_\_\_\_\_  
 Stephen G. White, MAI  
 (State Certified General Real Estate  
 Appraiser No. AG013311)

SGW:sw  
 Ref: 19019

## TABLE OF CONTENTS

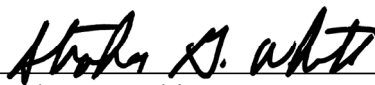
	<b>PAGES</b>
Certification .....	5
Assumptions and Limiting Conditions .....	6-7
Purpose and Intended Use/User of the Appraisal, Scope of the Appraisal, Effective Date of the Appraisal (Date of Value), Property Rights Appraised, Definitions, Exposure Time .....	8-9
 <b>GENERAL PROPERTY DATA</b>	
Location Map, Location, General Area Description, Aerial Photo, Overview of Skyline, Site Map of Skyline, Streets & Access, Utilities, Zoning/General Plan/Approvals, Topography/Views, Drainage/Flood Hazard, Soil/ Geologic/Seismic/Environmental Conditions, Title Report, Residential Market Overview, Highest & Best Use .....	10-19
<b>VERANO AT SKYLINE</b> .....	20-30
<b>SOLARA AT SKYLINE</b> .....	31-36
 <b>ADDENDA</b>	
Qualifications of Appraiser .....	37-39

## CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- I have made a general inspection of the properties that are the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this Certification, other than data research by my associate, Kirsten Patterson.
- I have performed no services, as an appraiser or in any other capacity, regarding the subject properties within the three-year period prior to accepting this assignment.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

  
\_\_\_\_\_  
Stephen G. White, MAI  
(State Certified General Real Estate  
Appraiser No. AG013311)

## **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal has been based upon the following assumptions and limiting conditions:

1. No responsibility is assumed for the legal descriptions provided or for matters pertaining to legal or title considerations. Title to the properties is assumed to be good and marketable unless otherwise stated.
2. The properties are appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies, if applicable, are assumed to be correct. Any plot plans or other illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the properties, subsoil, or structures that render them more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the properties are in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal report.
8. It is assumed that the properties conform to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in the report are based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the properties described and that there are no encroachments or trespasses unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the properties, was not observed by the appraiser. However, the appraiser is not qualified to detect such substances. The presence of such substances may affect the value of the property, but the values estimated in this

**ASSUMPTIONS AND LIMITING CONDITIONS,** Continuing

appraisal are based on the assumption that there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field, if desired.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication, unless otherwise authorized. It is understood and agreed that this report will be utilized in the Preliminary Official Statement and the Official Statement, as part of the CFD 2019 bond issuance.
13. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the properties in question unless arrangements have previously been made.

**SPECIAL ASSUMPTIONS**

1. It has been assumed that there are no soil, geologic, seismic or environmental conditions that would negatively impact the existing or planned uses of the subject properties.
2. An estimate of the remaining costs and fees to get the subject parcels/lots from their as is condition to finished lot condition has been provided by the builder, and this estimate has been relied upon in this appraisal as being reasonably accurate and reliable; in addition, the valuation has reflected the proposed CFD bond financing such that the deductions of estimated remaining costs/fees do not include any amounts that are to be funded by the planned CFD bond proceeds.

**PURPOSE AND INTENDED USE/USER OF THE APPRAISAL**

The purpose of this appraisal is to estimate the aggregate market value by product type of the as is condition of the taxable properties located within Community Facilities District No. 11 of the San Marcos Unified School District (CFD), reflecting the proposed CFD bond financing. It is intended that this Appraisal Report is to be used by the client, the financing team and others as required as part of the current planned CFD bond issuance.

**SCOPE OF THE APPRAISAL**

It is the intent of this appraisal that all appropriate data considered pertinent in the valuation of the subject properties be collected, confirmed and reported in an Appraisal Report, in conformance with the Uniform Standards of Professional Appraisal Practice and the guidelines of the California Debt and Investment Advisory Commission. This has included a general inspection of the subject properties and their surroundings; obtaining of pertinent property data on the subject properties, including review of various maps and documents relating to the properties and the existing and planned development; obtaining of comparable home and land sales from a variety of sources; analysis of all of the data to the value conclusions; and preparation of the appraisal report.

**DATE OF VALUE**

The date of value for this appraisal is September 5, 2019.

**PROPERTY RIGHTS APPRAISED**

This appraisal is of the fee simple interest in the subject properties, subject to the CFD special tax and assessment liens.

**DEFINITION OF MARKET VALUE**

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. (The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition)

**DEFINITION OF MASS APPRAISAL**

The process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing. (The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition)

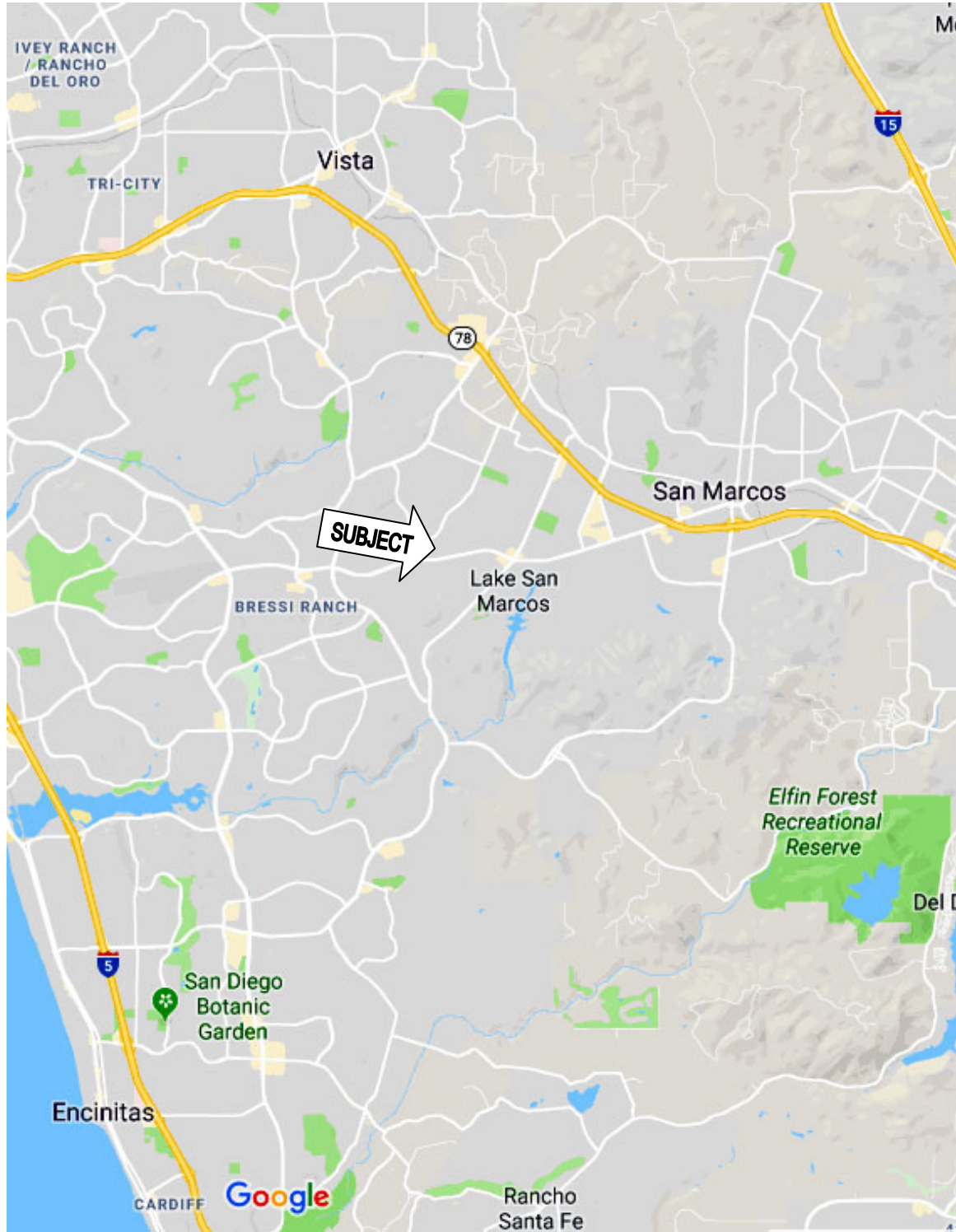
### **DEFINITION OF FINISHED LOT**

This term describes the condition of residential lots in a single-family or multi-family (townhome) subdivision in which the lots are fully improved and ready for homes to be built. This reflects that the lots have all development entitlements, infrastructure improvements completed, finish grading completed, all in-tract utilities extended to the property line of each lot, street improvements completed, common area improvements/landscaping (associated with the tract) completed, resource agency permits (if necessary), and all development fees paid, exclusive of building permit fees, in accordance with the conditions of approval of the specific tract map.

### **EXPOSURE TIME**

This is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date or date of value of the appraisal. Assuming a reasonable marketing effort and at or reasonably near market value, I have concluded that the exposure time for the completed homes as well as for the homes under construction and the vacant lots would have been within 4 months for a sale to be negotiated, and up to several more months for the sales to close.

**LOCATION MAP**





## **GENERAL PROPERTY DATA**

### **LOCATION**

The subject community of Skyline is located along the northerly side of San Marcos Blvd. at Radiance Way, nearby to the east of Business Park Dr. and in the City of Vista. This location is in the far south end of Vista, adjacent to the west of and across San Marcos Blvd. from the City of San Marcos, and nearby to the east-northeast of Carlsbad. Access to the I-5 Freeway at Palomar Airport Rd. is about 6 miles to the west and access to the 78 Freeway at Rancho Santa Fe Rd. is about 2 miles to the northeast.

### **GENERAL AREA DESCRIPTION**

The subject community is located in a mixed-use residential, commercial and industrial area, plus much surrounding and nearby open space.

Adjacent to the west of the community, across Radiance Way, is the new 4-story Ayres Hotel that is currently well along in construction. It will include 103 guestrooms and suites, plus pool, gym, conference area and restaurant facility.

Farther to the west and wrapping around the subject community to the northwest and north the land is terraced and slopes up well above grade of the subject community to a large business park area with a landscape buffer of many trees at the top of the slope. These are mostly high-image office-R&D-industrial buildings that were built from 1998 through 2006, and generally range in size from approximately 40,000 s.f. to 100,000 s.f.

To the east and well below grade of the southerly part of the subject community is a wide area of open space that slopes down into a watercourse, and beyond that is the neighborhood of homes called Las Brisas Pacificas that is located in San Marcos. To the east and slightly below the northerly part of the subject community is the northwesterly part of the Las Brisas Pacificas neighborhood. This neighborhood is an age-restricted-55+ community of 169 manufactured homes of  $\pm$ 1,200 s.f. to over 1,600 s.f. and on small lots. The community amenities include a clubhouse-gathering room with kitchen facilities, pool with patio and barbecue areas, and rose garden. Recent sale prices indicate the range from about \$380,000 to \$450,000.

Farther to the east is the 474-site Palomar Estates West mobile home park, also an age restricted-55+ community.

To the south is an area of undeveloped land along San Marcos Blvd. which is being considered for future residential development. Farther to the south and to the southeast is the neighborhood of about 169 homes called The Laurels (Country Classics) with the main entrance at San Marcos Blvd. and Acacia Dr. (opposite Ave De Las Rosas). These homes terrace up the hill to the south with much open space

# Community Facilities District No. 11 of the San Marcos Unified School District



## GENERAL AREA DESCRIPTION, Continuing

between the terraces and within the neighborhood. There is also a City park and trail system in and around the neighborhood. The homes were built in the early to mid-1990's and generally range in size from just under 2,000 s.f. to near 3,000 s.f., and on lots of  $\pm$ 10,000 s.f. Recent sale prices indicate the price range from the low to high \$800,000's.

To the southwest, at San Marcos Blvd. and White Sands Dr. (opposite Business Park Dr.) is the community of homes called Rancho Dorado which terrace down to the south from San Marcos Blvd. and then up into the hills. The nearest homes to San Marcos Blvd. were built in 2000/01 and range in size from  $\pm$ 2,200 s.f. to 2,800 s.f., with recent sales indicating the low to mid-\$800,000's. Farther to the south the homes are larger and on larger lots, ranging in size from about 2,800 s.f. to over 4,000 s.f., and with recent sale prices ranging from \$840,000 to \$1,075,000.

## OVERVIEW OF SKYLINE

The subject community of Skyline is planned to comprise a total of 189 attached two and three-story townhomes in a condominium plan within two different product types that are being built by D.R. Horton. The community is on an elevated site above San Marcos Blvd. and the land to the east, providing territorial views to homes along the southerly and easterly sides of the community.

In addition, the community includes a recreation building and pool, and a separate small grass area with palapa and barbecue. At build-out there will be a gated entry and various additional landscaped courtyard areas. The monthly HOA dues are expected to be approximately \$335 at build-out.

The two different product types of homes are summarized as follows:

**Verano at Skyline:** to be 109 three-story homes, 1,183 s.f. to 1,856 s.f.; currently 46 completed homes, 10 homes under construction and 53 vacant lots.

**Solara at Skyline:** to be 80 two-story homes; 1,426 s.f. to 1,576 s.f.; currently 36 completed homes, no homes under construction and 44 vacant lots.

The recreation center is centrally-located and includes a recreation building with kitchenette and lounge area, restrooms, lattice-covered patio with barbecue, and large fenced area with the pool and deck area. The small grass area with barbecue is located near the main entry. The future landscaped courtyard/open spaces will be between various buildings. There are and will be walkways around much of the perimeter of the overall community.

# SKYLINE



Map is an artist's conception only and is not tended to be an actual depiction of the homes, lots, community amenities, or landscaping. Map is not to scale. Lots vary in shape and size.

## **STREETS AND ACCESS**

Access to the Skyline community is off of San Marcos Blvd. at Radiance Way, which is a driveway that extends to the future gated entry to the community and also provides access to the Ayres Hotel.

San Marcos Blvd. is a main east-west road through this area that extends east into the City of San Marcos and terminates at Twin Oaks Valley Rd. To the west it becomes Palomar Airport Rd. within the City of Carlsbad and extends west to just beyond the I-5 Freeway. It is a 6-lane divided roadway through the subject area, with a right turn lane for westbound traffic into the subject community, with bike lanes along both sides and signalized intersections to the west at Business Park Dr./White Sands Dr. and to the east at Ave De Las Rosas/Acacia Dr.

## **UTILITIES**

All utilities have been installed in the in-tract streets for both product types and service is provided as follows:

Water:	Vista Irrigation District
Sewer:	City of Vista
Electric & Gas:	San Diego Gas & Electric Company (SDG&E)

## **ZONING/GENERAL PLAN/APPROVALS**

For the overall Skyline community, the City zoning designation is SPI (Specific Plan Implementation) and the General Plan designation is Mixed Use. The overall project (previously known as Vista Palomar) obtained a General Plan Amendment, Specific Plan Amendment, Development Agreement, Special Use Permit (inclusive of a Site Development Plan), Condominium Housing Permit, and Subdivision Map for 191 condominium units (later changed to the current 189) and a 100-room hotel on 17.2 acres.

The additional approvals for the subject Verano and Solara product types are as follows:

Vista Palomar PC19-076, in the City of Vista, County of San Diego, State of California, according to Map thereof No. 16217, filed in the Office of the County Recorder on September 8, 2017 (of which Verano and Solara comprise Lot 2 of this Tract Map).

Condominium Plans for Verano Phases 1 through 5 and Solara Phases 1 through 6 (or overall Phases 1 through 11) recorded from January 7 through February 4, 2019, and First Amendments for seven of these Plans recorded from March 22 through May 23, 2019. The remaining Condominium Plans for overall Phases 12 through 21 are prepared in draft form and are not yet recorded.

## **TOPOGRAPHY/VIEWS**

The subject community is being developed on a fairly flat site that had been graded to a superpad condition, and ranging from approximately 40'-50' above San Marcos Blvd. The site is also well above grade of the open space/drainage area along most of the east side, but with a slight slope up at the northeast end of the site; well below grade of the industrial properties to the north; and at grade with the hotel site to the west.

Thus, this elevated site provides territorial views to the south/southeast to the limited number of Solara homes that back or side along the southerly and southeast sides of the site.

## **DRAINAGE/FLOOD HAZARD**

Onsite or in-tract drainage is in gutters and underground facilities that have been constructed as part of the land development for the overall community, and ultimately into offsite facilities as part of the master-planned drainage system for this area. Per FEMA Flood Zone Panel 060297-06073C0788J dated 5/16/12, all of the subject properties are located in Zone X, which is an area that is determined to be outside the 100- and 500-year floodplains, and also out of the Special Flood Hazard Area.

## **SOIL/GEOLOGIC/SEISMIC/ENVIRONMENTAL CONDITIONS**

It is noted that none of the Vista, San Marcos and Carlsbad areas are located in an Earthquake Fault Zone. In addition, it is noted that this appraisal has assumed that any required mitigation for any soil, geologic or environmental conditions was completed as part of the land development work for the overall community, and that there are none other of these conditions that would negatively impact the existing and planned development of the subject lots or the valuation.

## **TITLE REPORT**

A Preliminary Report by First American Title Company covering the property comprising the overall Skyline community and dated August 13, 2019 has been reviewed. Exceptions to title include various easements for drainage, utilities, private storm drain and access roads, and various agreements, annexations and condominium plans which are fairly typical for a project such as Skyline. In addition, there was reference to a "School Facilities Funding Agreement" recorded June 5, 2018, but there was no reference to Community Facilities District No. 11 of the San Marcos Unified School District.

## RESIDENTIAL MARKET OVERVIEW

While home prices across Southern California remain fairly steady, low mortgage rates helped drive home sales in July, spiking the first year-over-year increase in sales transactions throughout the Southern California region in a year. According to data provider Core Logic, sales transactions were up 6.1% from the prior month and 3.7% from July 2018 (although a portion of this increase is attributed at least in part to an additional business day in July 2019 compared to July 2018).

Market analysts contend that lackluster sales numbers reported throughout Southern California are not due to lack of demand, as many prospective buyers are still looking to enter the market. However, wages are not keeping up with home prices and affordability continues to be a significant hurdle. Changing buyer attitudes, an unwillingness to pay escalating prices and changes to the tax code that make buying in high-priced markets less advantageous are additional factors impacting home sales.

New home construction is also much lower than the long-term average, even as the State of California continues to face a chronic housing shortage. According to the Real Estate Research Council of Southern California, the number of new homes constructed in San Diego County in the first half of 2019 was down 43% from the same time last year. And in Southern California overall, new home construction is down 25% from last year, primarily due to a decrease in apartment building. Borre Winckel, CEO of the Building Industry Association, says builders are in a difficult position as political pressure to build more housing has been strong, but a statewide measure for expanded rent control, increasing steel prices, and steady community opposition to new projects has checked forward momentum. Regulatory hurdles and higher labor and material costs have increased the price to build, costs builders pass on to homebuyers through higher home prices. However, that price has gotten too high for many potential buyers.

Home sales data reported by Core Logic for Southern California in July showed positive growth, with a total of 22,071 new and existing homes and condos sold in Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange Counties, up 6.1% from the June 2019 sales volume and up 3.7% from July 2018 (though as noted above, reflecting an additional business day in July 2019). Only Orange County posted an annual decrease in sales volume of -1.7% and San Diego County saw the highest increase year over year of 10.1%. The median sales price of \$540,000 in the six-county region was up 6.1% from June and up 1.9% from July 2018, with only Orange County posting a decrease in median price. And while re-sales of existing homes are closer to the long term average, sales of new construction homes in the six-county region in July 2019 were 39.4% below the July average since 1988.

Market trends seen throughout the Southern California region are reflected both in San Diego County and the City of Vista. According to CoreLogic, there were a total

## **RESIDENTIAL MARKET OVERVIEW, Continuing**

of 3,988 home sales in July 2019 across the County, including both single family homes and condos, and reflecting new home sales as well as resales. The median price County-wide was \$595,000, which was unchanged from the prior year. In Vista, there were a total of 122 sales, with a reported median price of \$552,000 which was up 2.2% from \$540,000 in July 2018. It is noted that resales (excluding new home sales) within the subject community zip code of 92081 in July 2019 indicated a median price of \$617,000 for single family homes, up 4.6% year over year.

The City of Vista continues to be a desirable location for homebuyers seeking proximity to job centers in San Diego and surrounding areas. As a result, residential development has continued in Vista with a number of active for-sale residential projects including Sierra by KB Home, Oak Creek by California West, Avila, Sienna and The Peak at Delpy's Corner by Lennar, D.R. Horton's subject Skyline community as well as Laurel Creek, and two upcoming neighborhoods by Meritage Homes. Additionally, there are many other projects in various phases of review and approval process, including the Rancho Lomas Verdes specific plan for 153 homes, the 107-unit Green Oak Villas project, Pheasant Hill with 24 single family homes, and many more residential infill projects.

## **HIGHEST AND BEST USE**

The term highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Furthermore, the highest and best use of land or a site as though vacant is defined as among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination.

In terms of legal permissibility, the existing and planned residential development of the subject lots is permitted by the zoning and General Plan as well as by all other entitlements processed for this project including the tract map and condominium plans. In terms of physical possibility, the existing and planned residential development is possible due to the lots that are in near finished or finished condition, including needed infrastructure having been completed.

In terms of the financial feasibility, as previously discussed in the Residential Market Overview, the current residential market conditions for San Diego County and the Vista area are fairly stable and evidence a significant amount of existing and planned new-home construction, including attached and detached product. In addition, the market for the subject Skyline community has evidenced good builder sales activity for the Verano product type with 24 closed sales and 6 pending sales as of September



**HIGHEST AND BEST USE, Continuing**

5, 2019, but the builder sales activity of the Solara product type has been slower with 11 closed sales and 2 pending sales to this point. In terms of the maximum productivity, this is represented by the homes that have been and are planned to be built on the subject lots, with an appropriate array of home sizes within the two product types.

In summary, I have concluded that the highest and best use for the subject properties is as improved for the completed homes, and as planned for the homes currently under construction and the vacant lots.

# VERANO



Map is an artist's conception only and is not tended to be an actual depiction of the homes, lots, community amenities, or landscaping. Map is not to scale. Lots vary in shape and size.



## VERANO AT SKYLINE

### PROPERTY DATA

#### **Location**

This product type comprises the northerly part of the overall Skyline community, as shown on the map on the previous page.

#### **Record Owner/Ownership History**

As of the September 5, 2019 date of value, individual homeowners owned 24 of the lots/units (Units 81, 85, 99, 102, 109, 113, 114, 117 to 119, 126 to 130 & 133 to 141) and Western Pacific Housing, Inc. owned 85 lots/units (Units 82 to 84, 86 to 98, 100, 101, 103 to 108, 110 to 112, 115, 116, 120 to 125, 131, 132 & 142 to 189).

Western Pacific Housing, Inc. acquired the land for the Skyline community by deed recorded July 20, 2017 at an indicated price of \$12,500,000. At that time the land was a single parcel and not yet subdivided into separate lots, and the land was in a graded superpad condition.

The sales of the 24 completed homes from Western Pacific Housing, Inc. to the individual homeowners closed from March 27, 2019 through September 5, 2019 at sale prices ranging from \$460,355 to \$570,340. In addition, as of late August 2019 there were 6 pending builder sales that were due to close in September 2019.

#### **Legal Description**

The 109 units/lots comprising this product type are described as Residential Unit Nos. 81 through 189 as shown on the Condominium Plans for Skyline Phases 3, 4, 7, 9 & 11 which recorded on January 11, 2019 and February 4, 2019 in the Office of the County Recorder of San Diego County; and Condominium Plans for Skyline Phases 13, 14, 16 to 19 & 21 which are not yet recorded; all of which are a portion of Lot 2 of Vista Palomar PC19-076, in the City of Vista, County of San Diego, California, according to Map thereof No. 16217, filed in the Office of the County Recorder of San Diego County on September 8, 2017.

#### **Assessor Data-2019/20**

This product type is identified as a portion of Assessor Parcel No. 221-661-48, with individual parcel numbers not yet available. The current assessed values are indicated to be \$126,182.01 for land for all 109 parcels, and \$19,415.09 for improvements for 58 of the parcels, indicating total assessed values of \$126,182.01 or \$145,597.10. The tax rate area is 012262, indicating a tax rate of 1.11185% (for 2018/19 tax year), but the estimated effective tax rate, including special taxes for this CFD, is 1.30%.

## PROPERTY DATA, Continuing

### No. of Units/Lots and Density

This attached product type comprises a total of 109 units/lots, with each home including ground floor space thus effectively a “lot” area but not a specific land area. The overall Skyline community of 189 units/lots on 14.824 gross acres indicates a density of 12.7 units per acre, but this includes perimeter slope areas and not just the flat pad or buildable site area.

### Description of Homes/Status of Construction

The site is currently being developed by D.R. Horton with the product type of attached townhomes called Verano at Skyline. As of the September 5, 2019 date of value, there were 24 completed-closed homes (closed builder sales; Units 81, 85, 99, 102, 109, 113, 114, 117 to 119, 126 to 130 & 133 to 141); 22 completed-unclosed homes (including the 5 models; Units 82 to 84, 86, 97, 98, 100, 101, 108, 110 to 112, 115, 116, 120 to 125, 131 & 132); 10 homes under construction that were estimated to be ±40% completed (Units 142 to 151); and vacant land for the remaining 53 lots/units that was in semi-finished condition (Units 87 to 96, 103 to 107 & 152 to 189).

There are four floor plans of homes which are described as follows:

**Plan 1 (Residence 1183):** 1,183 s.f., three-story, with 2 bedrooms and 2.5 baths; the first floor has 2-bay garage, entry and stairs to living area; the second floor has great room, kitchen, half bath, and a balcony off of the great room; and the third floor has the bedrooms, baths and a laundry closet.

**Plan 2 (Residence 1515):** 1,515 s.f., three-story, with 3 bedrooms and 3 baths; the first floor has 2-bay garage, entry and stairs to living area; the second floor has living room, kitchen, bedroom, bath, and a balcony off of the kitchen; and the third floor has two bedrooms, two baths and a laundry closet.

**Plan 3 (Residence 1726):** 1,726 s.f., three-story, with 3 bedrooms and 3.5 baths; the first floor has 2-bay garage, entry, bedroom and bath; the second floor has great room, kitchen, half bath, laundry closet, and a balcony off of the great room; and the third floor has two master bedrooms/baths.

**Plan 4 (Residence 1856):** 1,856 s.f., three-story, with 4 bedrooms and 3.5 baths; the first floor has 2-bay garage, entry, bedroom and bath; the second floor has great room, kitchen, dining area, half bath, and a balcony off of the great room; and the third floor has three bedrooms, two baths and laundry closet.

Per building permit data, the 46 completed homes range in size from 1,183 s.f. to 1,856 s.f., with average sizes of 1,574 s.f. for the 24 completed-closed homes and 1,672 s.f. for the 22 completed-unclosed homes.

## VALUATION

### Method of Analysis

The analysis of the completed-closed homes is of the aggregate value and on a mass appraisal basis by means of the Sales Comparison Approach. Primary consideration is given to the recent builder sales of the subject homes, secondary consideration is given to the builder sales of the Solara homes as discussed later in this report, and lastly consideration is given to current pricing for similar new-home attached product in other nearby locations.

For the completed-unclosed homes, the analysis considers a discount due to the bulk ownership by the builder with the discount reflecting holding/sales costs, minor finishing costs and profit in order to sell off the homes. For the homes under construction, a simplified Cost Approach is used in which the value is based on an estimate of construction hard/direct costs expended plus the estimated value of the vacant lot. The analysis of the vacant lots as if in finished condition is based on the Sales Comparison Approach, considering recent sales of residential land or bulk lots from the general area in comparison to the subject property.

### Analysis of Completed-Closed Homes

These are the 24 homes for which the builder sales closed from March 27, 2019 through September 5, 2019 at sale prices ranging from \$460,355 to \$570,340, or an average of \$518,500 for the average home size of 1,574 s.f., or \$329.42 per s.f. These sales were negotiated from mid-November 2018 through late July 2019. It is noted that the base pricing has increased by \$5,000 to \$18,500 per floor plan since the earliest phase releases to current date. However, it is also noted that the average sale price for the 15 closed sales that were negotiated from March 2019 and thereafter was \$521,700 for an average home size of 1,580 s.f., or \$330.19 per s.f. Thus, this indicates only a minor price increase from all 24 closed sales.

As of September 5, 2019 there were 6 pending sales, and available prices for 5 of these sales indicates an average of \$517,100 and for an average home size of 1,601 s.f., or \$322.99 per s.f. Thus, this indicates a slightly lower average price than for the closed sales, and for a slightly larger average home size. Due to the slightly larger average size, the indication at \$322.99 per s.f. supports a close lower limit indication as an average for the 24 completed-closed homes, as follows:

$$1,574 \text{ s.f. avg. @ } \$322.99/\text{s.f.} = \$508,400$$

Thus, the indications at \$517,100 and \$518,500 support close upper limit indications as an average for the 24 completed-closed homes, and the indication at \$508,400 supports a close lower limit indication of average value.

As discussed next in this report for the Solara product type, the sale prices for the closed and pending sales indicate an average of \$568,000 for an average home size

## VALUATION, Continuing

of 1,501 s.f., or \$378.41 per s.f. However, it is noted that 6 of these 13 sales had view premiums of approximately \$20,000. Considering only the 7 sales without view premium, the average price is \$546,000 for an average home size of 1,485 s.f., or \$367.68 per s.f. The higher average price for the smaller average home size than the Verano product type reflects the greater desirability of the two-story plans of the Solara product type. Thus, the indication at \$546,000 supports a far upper limit as an average for the subject Verano homes.

Consideration has also been given to current pricing for other new-home attached product located in nearby areas of Vista and San Marcos. These new-home projects are discussed in the following:

**Avila (Lennar Homes):** This project is located nearby to the northeast of Melrose Dr. and nearby to the southeast of Buena Vista Dr. in Vista. There will be a total of 47 three-story townhomes ranging in size from 1,743 s.f. to 1,977 s.f. Current base pricing ranges from \$532,900 to \$576,900 and there is no CFD. The indication at \$532,900 for the 1,743 s.f. plan supports a firm upper limit as an average for the subject homes due to the larger size and lack of CFD, though partially offset by the inferior location and reflecting only base pricing.

**The Peak at Delpy's Corner (Lennar Homes):** This project is located at the southeasterly corner of Foothill Dr. and E. Vista Way in Vista, on an elevated site with some territorial views. There will be a total of 124 attached two-story townhomes ranging in size from 1,472 s.f. to 1,747 s.f. Current base pricing ranges from \$482,900 to \$539,900 and there is no CFD. The indication at \$500,900 for the 1,557 s.f. plan supports a close lower limit indication as an average for the subject homes, due to the slightly smaller size, inferior location and reflecting base pricing, with only a partial offset by the two-story design and lack of CFD.

**Prato in San Elijo Hills (Hallmark Communities):** The first phase of this project is located along the southwest side of Baker St. between San Elijo Rd. North and San Elijo Road South, in the San Elijo Town Center in San Marcos. This phase consists of 12 three-story townhomes with sizes of 1,749 s.f., 1,758 s.f. and 1,827 s.f. The pricing for these homes starts in the mid-\$600,000's, or about \$370 per s.f., and there is no CFD. Due to the much larger size as well as the superior location and lack of CFD, the indication at ±\$650,000 is a far upper limit for the largest subject floor plan. In addition, the indication at ±\$370.00 per s.f. supports a far upper limit as an average for all 24 subject homes as follows:

$$1,574 \text{ s.f. avg. @ } \$370.00/\text{s.f.} = \$582,400$$

**Viewpointe (KB Home):** This project is located at the northwesterly corner of Richmar Ave. and Fitzpatrick Rd. in San Marcos, on a terraced hillside location extending well to the north. There will be a total of 76 attached three-story townhomes with sizes of 1,237 s.f. and 1,455 s.f. Current base pricing is \$420,490 and \$469,990 including a CFD with an effective tax rate of 1.25%. The indication at \$469,990 for the 1,455 s.f. plan supports a far lower limit as an average for the subject homes due to the smaller size as well as reflecting base pricing. However, due to the smaller size and reflecting only the base pricing, the indication at \$323.02 per s.f. supports a closer lower limit indication as an average for the subject homes as follows:

$$1,574 \text{ s.f. avg. @ } \$323.02/\text{s.f.} = \$508,400$$

## VALUATION, Continuing

**Agave at The Preserve (Cornerstone Communities):** This project is located at the northeasterly corner of Marron Rd. and El Salto Falls St. in Carlsbad, nearby to the south of the 78 Freeway and west of College Blvd. There will be a total of 88 attached two-story townhomes with sizes of 1,420 s.f., 1,452 s.f. and 1,681 s.f. Current base pricing is \$543,990 for Plan 1, \$550,990 for Plan 2 and \$620,990 for Plan 3, including a CFD with an effective tax rate of  $\pm 1.3\%$ . The indication from \$543,990 supports a far upper limit as an average for the subject homes with the superior location and two-story design being more than offsetting to the smaller size and reflecting only base pricing.

In summary, the analysis of the data for the average value of the 24 completed-closed homes results in a far lower limit indication at \$469,990; close lower limit indications at \$500,900 and \$508,400; close upper limit indications at \$517,100 and \$518,500; and firm to far upper limit indications from \$532,900 to \$582,400. The conclusion is an average value of \$510,000 for the 24 completed-closed homes.

### **Analysis of Completed-Unclosed Homes**

These 22 homes comprise the 17 unclosed production homes plus the 5 model homes, with an average size of 1,672 s.f., which is larger than the average of 1,574 s.f. for the completed-closed homes. Considering the larger average size and also that the upgraded model homes are included, the initial value conclusion for these 22 homes would be higher than the conclusion of \$510,000 for the completed-closed homes, but lower than the indication of \$324.02 per s.f., as follows:

$$1,672 \text{ s.f. avg. @ } \$324.02/\text{s.f.} = \$541,800$$

The initial conclusion is an average value of \$525,000. Then, a discount of 20% has been applied due to the significant size of the bulk ownership by the builder and reflecting holding/sales costs, minor finishing costs and profit. This results in an average value of \$420,000 for the 22 completed-unclosed homes.

### **Analysis of Homes Under Construction**

For these 10 homes that were estimated to be  $\pm 40\%$  completed, I have considered a cost amount of 40% of direct costs indicated to be an average of  $\pm \$109.00$  per s.f. for this mix of floor plans, or \$43.60 per s.f. on the average home size of 1,627 s.f. for these 10 homes, or a rounded amount of \$70,000. This is added to the estimated value of \$200,000 for the vacant lot in finished condition, as discussed next, resulting in a total of \$270,000 as an average for these 10 homes.

### **Analysis of Vacant Lot Value**

The analysis of the 53 vacant lots as if in finished condition is based on the Sales Comparison Approach, considering recent sales of residential land or bulk lots from the general area in comparison to the subject property. Thus, a search was made over a widespread area for recent sales of reasonably similar bulk multi-family

## VALUATION, Continuing

product lots, and due to the limited amount of that type of data consideration was also given to sales of land for detached product on small lots. The pertinent sales data is shown in the following table, with the discussion and analysis of the sales following thereafter.

<u>No.</u>	<u>Location/APN</u>	<u>Rec. Date</u>	<u>No. DU Type</u>	<u>Price/Lot Price/Fin Lot</u>	<u>Remarks</u>
1	Subject Skyline Community	7/20/17	189 attached	\$66,138 \$187,000	Partially entitled for the residential development; land was in graded superpad condition
2	W'y side Vine St., NW/O Oceanside Blvd., Oceanside 152-320-40	1/5/17	58 attached	\$110,431 \$220,500	Tides; site had approved tent. map for the project; now being developed with 2 & 3-story townhomes of 1,219 to 1,814 s.f.; no CFD
3	NE/O Melrose Dr., SE/O Buena Vista Dr., Vista 183-220-30	3/9/17	47 attached	\$89,583 \$243,000	Avila; site had approved tent. map for the project; now being developed with 3-story townhomes of 1,743 s.f. to 1,977 s.f.; no CFD
4	San Elijo Rd., E'y & W'y of Elfin Forest Rd. San Marcos 223-630-26 & 223-630-25 (portion)	11/7/17 & 6/19/19	24 attached	\$164,167 ±\$235,000	San Elijo Hills Town Center; two rough graded sites, fully entitled; existing CFD; to be 1,510 s.f. to 1,710 s.f. 3-story townhomes
5	E/S Emerald Dr. between Wildflower Dr. & Cameo Dr., Vista 162-140-96	5/1/18	27 4,600 min. lot size	\$120,198 \$306,000	Vista Emerald property; land in raw physical cond. with approved tent. tract map; no CFD; projected home sizes were 2,129 s.f. to 2,553 s.f.
6	E/S Grapevine Rd., ±120' N/O Date St., Vista 166-080-16,18,19,65&83; 166-110-41&41	12/19/18	68 small-lot	\$305,272 \$331,000	Site was entitled and developed to near-finished lot condition; approved for detached homes in condo plan ranging from ±1,800-2,300 s.f.; no CFD
7	W'y corner Sycamore Ave. & Watson Way, Vista 217-021-01,02,20,29,30,44&45	3/4/19 to 5/31/19	56 ±3,000 min. lots size	\$107,719 ±\$305,000	Buyer assembled site and processed entitlements for the small-lot project in condo plan; homes to be 1,800-2,400 s.f. with average price of \$635,000; no CFD

**Sale No. 1** consists of the sale of the land to Western Pacific Housing, Inc. (D.R. Horton) for the overall subject Skyline community. This deal was negotiated in April 2017 and closed in July 2017 at the price of \$12,500,000 or \$66,138 per lot, with an estimate of \$187,000 per finished lot. The site was in a graded superpad condition with preliminary processing of entitlements but D.R. Horton completed the entitlements and all land development work up to current date. At time of land sale, the proforma base pricing was \$474,935 for Verano and \$515,740 for Solara. This results in an average of ±\$492,000, and a finished lot ratio of 38%. The current base pricing per the most recent sales is \$512,000 average for Verano and \$538,000 average for Solara.

Initially, the semi-finished condition of the lots at current date is superior to the superpad condition at time of sale without full entitlements due to less time and risk to get to developable condition. In addition, the size of 189 lots is much larger than the size of the 53 vacant lots for the Verano product type being considered, and this size differential would tend to result in a lower price per lot. Thus, the price indication of \$187,000 per finished lot supports a firm lower limit at current date,



## VALUATION, Continuing

and the 38% finished lot ratio applied to the current average base Verano pricing of \$512,000 also supports a firm lower limit indication as follows:

$$\$512,000 \text{ avg. base price} \times .38 \text{ finished lot ratio} = \$195,000/\text{finished lot}$$

**Sale No. 2** is located on the westerly side of Vine St., near to the northwest of Oceanside Blvd. in Oceanside, nearby to the west of I-5 and within a mile of the ocean. This was a 6.3-acre vacant and terraced/sloping site that had an approved tentative map for a 58-unit townhome project. The sale to City Ventures Homebuilding, LLC closed in January 2017 at the price of \$6,405,000 or \$110,431 per lot, with an estimate of \$220,500 per finished lot. The buyer is building the project called Tides Oceanside with two and three-story townhomes ranging in size from 1,219 s.f. to 1,814 s.f. and current pricing from about \$550,000 to \$715,000, with no CFD.

In comparison to the subject, downward adjustments for the superior factors of location, product type with some two-story units, and lack of CFD (as evidenced by the much higher pricing for the homes) are partially offset by upward adjustments for the date of sale and superior current condition of the subject lots, resulting in a firm upper limit indication for the subject at \$220,500 per finished lot.

**Sale No. 3** is located nearby to the northeast of Melrose Dr. and nearby to the southeast of Buena Vista Dr. in Vista, in a mixed-use residential and commercial area. This was a 3.14-acre fairly flat site that had been improved with a church facility and large parking lot, but had an approved tentative map for a 47-unit townhome project. The sale to Lennar Homes closed in March 2017 at the price of \$4,300,000 or \$89,583 per lot, with an estimate of \$243,000 per finished lot. The buyer is building the project called Avila with three-story townhomes ranging in size from 1,743 s.f. to 1,977 s.f. and current pricing of about \$530,000 to \$600,000, with no CFD.

In comparison to the subject, downward adjustments for the superior factors of much larger and higher-priced product type and lack of CFD are partially offset by upward adjustments for the date of sale and superior current condition of the subject lots, resulting in a firm upper limit indication for the subject at \$243,000 per finished lot.

**Sale No. 4** consists of two sites located in the San Elijo Hills Town Center area of San Marcos. Both sites lie between San Elijo Road North and South, with one site along Baker St. and the other site nearby to the northeast of Elfin Forest Rd. East. Each site was in rough graded condition, fully entitled for 12 attached townhomes (total of 24 homes) ranging in size from 1,510 s.f. to 1,710 s.f., and there was an existing CFD. The sale of the Phase 1 site or the first takedown to Hall Land Company (Hallmark Communities) closed in November 2017 at a price of \$1,970,000 or \$164,167 per lot, with finished lots estimated at  $\pm$ \$235,000 per lot. The Phase 2 site closed in June 2019 at the price of \$1,980,000. The buyer has

## VALUATION, Continuing

mostly completed the three-story townhomes on the Phase 1 site called Prato in San Elijo Hills, though with the larger size range from 1,749 s.f. to 1,827 s.f., and with current pricing from the mid-\$600,000's.

In comparison to the subject, downward adjustments for the superior factors of location, much larger/higher-priced product type and phased takedown of the sites are partially offset by upward adjustments for the date of sale and superior current condition of the subject lots, resulting in a firm upper limit indication for the subject at ±\$235,000 per finished lot.

**Sale No. 5** is located on the east side of Emerald Dr. between Wildflower Dr. and Cameo Dr. in Vista, which is across Emerald Dr. from the City of Oceanside and just under a mile to the north of SR 78. This was a 6.9-acre site in an average residential area. The land was in raw physical condition, gently sloping, and with an approved tentative tract map for 27 lots, 4,600 s.f. minimum size and 6,581 s.f. average size, and with no CFD. The sale to Lennar Homes closed in May 2018 at a price of \$3,245,600 or \$120,207 per lot for the as is condition, with finished lots estimated at \$306,000 per lot. The conceptual plans that had been prepared for the seller indicated home sizes of 2,129 s.f. to 2,553 s.f., with projected pricing in the low to high \$600,000's. The buyer is now building the Sienna project with 2,718 s.f. to 3,086 s.f. homes and pricing from about \$710,000 to \$770,000.

In comparison to the subject, significant downward adjustments for the far superior factors of much larger and higher-priced detached product on much larger lots, as well as the lack of CFD, are only slightly offset by the superior current condition of the subject lots, resulting in a far upper limit indication for the subject at \$306,000 per finished lot. Alternatively, the \$306,000 price per finished lot and the original projected average home pricing of ±\$650,000 indicates a finished lot ratio of 47%. The buyer's proforma home pricing was likely higher at time of the land sale which would result in a lower finished lot ratio, and this ratio is typically higher for detached product than for attached product. Thus, a closer but still far upper limit indication for the subject is calculated as follows:

$$\$512,000 \text{ avg. base price} \times .47 \text{ finished lot ratio} = \$241,000/\text{finished lot}$$

**Sale No. 6** is located on the east side of Grapevine Rd., nearby to the north of Date St. in Vista, in a residential area that is nearby to the north of the 78 Freeway and nearby to the east of Emerald Dr. This was a ±9-acre irregular-shaped site bisected by Buena Vista Creek that was mostly vacant and slightly sloping land. Warmington Residential had completed the entitlements and the land development work to deliver 68 lots in near-finished condition, being a small-lot/condominium plan project. The sale to D.R. Horton closed in December 2018 at the price of \$20,758,500 or \$305,272 per lot, with finished lots estimated at \$331,000 per lot. The buyer is now building the Laurel Creek project with homes ranging from 1,777 s.f. to 2,314 s.f. and base pricing from about \$585,000 to \$631,000, with no CFD.

## VALUATION, Continuing

In comparison to the subject, significant downward adjustments for the far superior factors of much larger and higher-priced detached product on much larger lots, as well as the lack of CFD, results in a far upper limit indication for the subject at \$331,000 per finished lot.

**Sale No. 7** is located at the westerly corner of Sycamore Ave. and Watson Way in Vista, in a mixed residential and commercial area that is about ½ mile southwest of the 78 Freeway. This was a 7.82-acre site consisting of vacant and gently sloping land in raw physical condition that was an assembly of three ownerships. The three sales to Meritage Homes closed in March and May 2019 at a total price of \$6,140,000 or \$107,719 per lot, with finished lots estimated at ±\$305,000 per lot and no CFD. Meritage Homes completed all processing of entitlements for the 57-lot subdivision, ±3,000 s.f. minimum lot size in a condominium plan. The homes were projected to range in size from 1,808 s.f. to 2,367 s.f. with an average projected price of \$635,000, which indicates a finished lot ratio of 48%.

In comparison to the subject, significant downward adjustments for the far superior factors of the much larger and higher-priced detached product on larger lots, as well as the lack of CFD, are only slightly offset by an upward adjustment for the superior condition of the subject lots resulting in less time and risk, but resulting in a far upper limit indication for the subject at ±\$305,000 per finished lot. In addition, the finished lot ratio of 48% supports a closer but still far upper limit indication for the subject as follows:

$$\$512,000 \text{ avg. base price} \times .48 \text{ finished lot ratio} = \$246,000/\text{finished lot}$$

In summary, on a finished lot basis the data supports firm lower limit indications at \$187,000 and \$195,000, firm upper limit indications from \$220,500 to \$243,000, and far upper limit indications from \$241,000 to \$331,000. The conclusion is a value of \$200,000 per lot for the subject lots as if in finished condition.

Then, information provided by the builder is that the remaining land development costs for the overall Skyline community to get the lots to a fully finished lot condition are a total of \$2,386,034. This includes items of permits/fees, grading, sewer, storm drain, water, street improvements, dry utilities, fencing/walls, bond exoneration, amenities and landscape. I have allocated these costs to the 97 total remaining vacant lots in Verano and Solara, or an amount of \$24,598 per lot. For the 53 vacant lots in Verano, this indicates an amount of \$1,303,694.

Lastly, the remaining development impact fees for Verano are a total of \$567,289. This results in a total of \$1,870,983 for the remaining costs to complete to get the vacant lots in Verano to a fully finished condition.

Thus, the residual as is value of the vacant lots in Verano is calculated as follows:

**VALUATION, Continuing**

Value as if finished condition: 53 lots @ \$200,000/lot =	\$10,600,000
Less costs to complete:	<u>- 1,870,983</u>
Residual/as is condition:	\$ 8,729,017

Rd. \$ 8,700,000

**Conclusion of Value**

Based on the foregoing, the value indication for the as is condition of the subject properties comprising the Verano product type is calculated as follows:

24 completed-closed homes @ \$510,000 =	\$12,240,000
22 completed-unclosed homes @ \$420,000 =	\$ 9,240,000
10 homes under construction @ \$270,000 =	\$ 2,700,000
53 vacant lots =	<u>\$ 8,700,000</u>

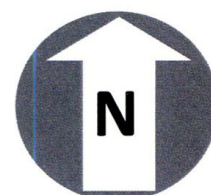
Value Indication, As Is: \$32,880,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Verano product type, subject to the Assumptions and Limiting Conditions, and as of September 5, 2019:

**\$32,880,000**

**(THIRTY-TWO MILLION EIGHT HUNDRED EIGHTY THOUSAND DOLLARS)**

# SOLARA



Map is an artist's conception only and is not tended to be an actual depiction of the homes, lots, community amenities, or landscaping. Map is not to scale. Lots vary in shape and size.

## SOLARA AT SKYLINE

### PROPERTY DATA

#### **Location**

This product type comprises the southerly and easterly parts of the overall Skyline community, as shown on the map on the previous page.

#### **Record Owner/Ownership History**

As of the September 5, 2019 date of value, individual homeowners owned 11 of the lots/units (Units 16, 17, 21, 22, 24, 26 to 29, 37 & 38) and Western Pacific Housing, Inc. owned the remaining 69 lots/units (Units 1 to 15, 18 to 20, 23, 25, 30 to 36 & 39 to 80).

The acquisition of the land by Western Pacific Housing, Inc. was previously discussed for the Verano product type.

The sales of the 11 completed homes from Western Pacific Housing, Inc. to the individual homeowners closed from April 30, 2019 through June 28, 2019 at sale prices ranging from \$527,500 to \$591,940. In addition, as of September 5, 2019 there were 2 pending builder sales that were due to close on September 20 and November 24, 2019.

#### **Legal Description**

The 80 units/lots comprising this product type are described as Residential Unit Nos. 1 through 80 as shown on the Condominium Plans for Skyline Phases 1, 2, 5, 6, 8 & 10 which recorded from January 7 through February 4, 2019 in the Office of the County Recorder of San Diego County; and Condominium Plans for Skyline Phases 12, 15 & 20 which are not yet recorded; all of which are a portion of Lot 2 of Vista Palomar PC19-076, in the City of Vista, County of San Diego, California, according to Map thereof No. 16217, filed in the Office of the County Recorder of San Diego County on September 8, 2017.

#### **Assessor Data-2019/20**

Similar to Verano, this Solara product type is identified as a portion of Assessor Parcel No. 221-661-48, with individual parcel numbers not yet available. The current assessed values are indicated to be \$126,182.01 for land for all 80 parcels, and \$19,415.09 for improvements for 48 of the parcels, indicating total assessed values of \$126,182.01 or \$145,597.10. The tax rate area is 012262, indicating a tax rate of 1.11185% (for 2018/19 tax year), but the estimated effective tax rate, including special taxes for this CFD, is 1.28%.

## PROPERTY DATA, Continuing

### **No. of Units/Lots and Density**

This attached product type comprises a total of 80 units/lots, and similar to the Verano product type each home includes ground floor space thus effectively a “lot” area but not a specific land area. Also as previously indicated for the Verano product type, the overall Skyline community reflects a density of 12.7 units per acre, but inclusive of perimeter slope areas.

### **Description of Homes/Status of Construction**

The site is currently being developed by D.R. Horton with the product type of attached townhomes called Solara at Skyline. As of the September 5, 2019 date of value, there were 11 completed-closed homes (closed builder sales; Units 16, 17, 21, 22, 24, 26 to 29, 37 & 38); 25 completed-unclosed homes (including the 4 models; Units 1 to 4, 18 to 20, 23, 25, 30 to 36 & 39 to 47); no homes under construction (next phase starts in October 2019); and vacant land for the remaining 44 lots/units that was in semi-finished condition (Units 5 to 15 & 48 to 80).

There are three floor plans of homes which are described as follows:

**Plan 1 (Residence 1426):** 1,426 s.f., two-story, with 3 bedrooms and 2.5 baths; the first floor has 2-bay garage, living room, dining area, kitchen and half bath; and the second floor has the bedrooms, baths and a laundry room.

**Plan 2 (Residence 1538):** 1,538 s.f., two-story, with 3 bedrooms and 2.5 baths; the first floor has 2-bay garage, living room, dining area, kitchen and half bath; and the second floor has the bedrooms, baths, loft area and laundry room.

**Plan 3 (Residence 1576):** 1,576 s.f., two-story, with 4 bedrooms and 2.5 baths; the first floor has 2-bay garage, living room, dining area, kitchen and half bath; and the second floor has the bedrooms, baths and laundry room.

Per building permit data, the 36 completed homes range in size from 1,426 s.f. to 1,576 s.f., with average sizes of 1,532 s.f. for the 11 completed-closed homes and 1,499 s.f. for the 25 completed-unclosed homes.

## VALUATION

### **Method of Analysis**

The analysis is similar to the Verano product type.

### **Analysis of Completed-Closed Homes**

These are the 11 homes for which the builder sales closed from April 30, 2019 through June 28, 2019 at sale prices ranging from \$527,500 to \$591,940, or an

## VALUATION, Continuing

average of \$559,000 for the average home size of 1,532 s.f., or \$364.88 per s.f. These sales were negotiated from late February 2019 through late May 2019 and there has been no significant change in the base pricing since that time. However, it is noted that 5 of these 11 homes had a view premium, which was indicated to be approximately \$20,000.

As of September 5, 2019 there were 2 pending sales, a 1,426 s.f. plan without view at a price of \$560,825 and a 1,576 s.f. plan with view at a price of \$575,220. Considering all 13 closed and pending sales, the average price is \$568,000 for an average size of 1,501 s.f., or \$378.41 per s.f. Considering the smaller average size than for the 11 closed sales, but the higher percentage of homes with view, the indication at an average of \$568,000 is a firm upper limit as an average for the 11 homes.

As previously discussed for the Verano product type, the average price for the 29 closed and pending sales was \$518,300 for an average size of 1,578 s.f., or \$328.45 per s.f. While the average size is slightly larger than the average of the 11 completed-closed Solara homes, the indication at \$518,300 supports a far lower limit indication for the Solara homes due to the lesser desirability of the three-story floor plans.

Regarding the pricing for other new-home attached product that was previously discussed for Verano, this data generally supports the mid-\$500,000's for the Solara product type when considering factors of average size, two-story floor plans, location and view premiums.

In summary, the analysis of the data for the average value of the 11 completed-closed homes results in a far lower limit indication at \$518,300; a close indication at \$559,000; a firm upper limit indication at \$568,000; and general support in the mid-\$500,000's. The conclusion has been rounded down to an average of \$555,000 for the 11 completed-closed homes.

### **Analysis of Completed-Unclosed Homes**

These 25 homes comprise the 21 unclosed production homes plus the 4 model homes, with an average size of 1,499 s.f., which is slightly smaller than the average of 1,532 s.f. for the completed-closed homes. In addition, only 4 of these homes have the potential view premium, or a much lower percentage than for the completed-closed homes. Thus, considering the smaller average size, lower percentage of view premiums but also that 4 of the homes are the upgraded models, the initial value conclusion for these 25 homes would be lower than the conclusion of \$555,000 for the completed-closed homes.



## VALUATION, Continuing

The initial conclusion is an average value of \$540,000. Then, the discount of 20% has been applied due to the significant size of the bulk ownership by the builder and reflecting holding/sales costs, minor finishing costs and profit. This results in an average value rounded to \$430,000 for the 25 completed-unclosed homes.

### Analysis of Vacant Lots

This is similar to the previous analyses of the Verano product type. However, the Solara product type is superior as a higher-priced two-story floor plan. Thus, the value of these Solara lots would be above the conclusion of \$200,000 per lot for the Verano lots. From the Verano analysis, a firm lower limit is supported by a 38% finished lot ratio and a far upper limit is supported by a 47% finished lot ratio. Considering the average base pricing of \$538,000 from the Solara home sales data, the following indications result:

\$538,000 avg. base price x .38 finished lot ratio = \$204,440/finished lot (firm lower limit)

\$538,000 avg. base price x .47 finished lot ratio = \$252,860/finished lot (far upper limit)

For conservative valuation purposes, the lower part of the range is concluded to be most supportable, and the conclusion is a value of \$210,000 per lot for the subject lots as if in finished condition.

Then, as previously discussed for Verano, the remaining land development costs to get the lots to fully finished condition is an allocated amount of \$24,598 per lot. For the 44 vacant lots in Solara, this indicates an amount of \$1,082,312. In addition, the remaining development impact fees for Solara are a total of \$442,205. This results in a total of \$1,524,517 for the remaining costs to complete to get the vacant lots in Solara to a fully finished condition.

Thus, the residual as is value of the vacant lots in Solara is calculated as follows:

Value as if finished condition: 44 lots @ \$210,000/lot =	\$9,240,000
Less costs to complete:	<u>- 1,524,517</u>
Residual/as is condition:	\$7,715,483
	Rd. \$7,700,000

### Conclusion of Value

Based on the foregoing, the value indication for the as is condition of the subject properties comprising the Solara product type is calculated as follows:

**VALUATION, Continuing**

11 completed-closed homes @ \$555,000 =	\$ 6,105,000
25 completed-unclosed homes @ \$430,000 =	\$10,750,000
44 vacant lots =	<u>\$ 7,700,000</u>
Value Indication, As Is:	\$24,555,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Solara product type, subject to the Assumptions and Limiting Conditions, and as of September 5, 2019:

**\$24,555,000**

**(TWENTY-FOUR MILLION FIVE HUNDRED FIFTY-FIVE THOUSAND DOLLARS)**

## **ADDENDA**

**QUALIFICATIONS  
OF  
STEPHEN G. WHITE, MAI**

**PROFESSIONAL EXPERIENCE**

Real Estate Appraiser since 1976.

1983 through current date: Self-employed; office located at 1370 N. Brea Blvd., Suite 255, Fullerton, CA 92835 (Phone: 714-738-1595)

1976-1982: Employed by Cedric A. White, Jr., MAI, independent appraiser located in Anaheim.

Real estate appraisals have been completed on most types of properties for purposes of fair market value, leased fee value, leasehold value, easement value, partial acquisitions and severance damages.

**PROFESSIONAL ORGANIZATIONS**

Member, Appraisal Institute; MAI designation obtained 1985

Affiliate Member, Pacific West Association of Realtors

**LICENSES**

Licensed by the State of California as a Certified General Real Estate Appraiser; BRE ID No. AG013311; valid through September 22, 2020.

**EDUCATION**

B.A. Economics & Business, Westmont College, Santa Barbara (1976)

Appraisal Institute Courses:

Basic Appraisal Principles, Methods and Techniques

Capitalization Theory and Techniques

Urban Properties

Litigation Valuation

Standards of Professional Appraisal Practice

Numerous seminars and continuing education on various appraisal subjects, including valuation of easements and leased fee interests, litigation, the money market and its impact on real estate, and standards of professional appraisal practice.

**COURT/TESTIMONY EXPERIENCE**

Qualified as an expert witness in the Superior Courts of Orange, Los Angeles, Riverside and San Bernardino Counties; also for the Assessment Appeals Board of Orange and Los Angeles Counties.

**TYPES OF PROPERTY APPRAISED**

**Residential:** vacant lots, acreage and subdivisions; single family residences, condominiums, townhomes and apartment complexes.

**Commercial:** vacant lots/acreage; office buildings, retail/shopping centers, restaurants, hotels/motels.

**Industrial:** vacant lots and acreage; warehouses, manufacturing buildings, R&D buildings, industrial parks, mini-warehouses.

**Special Purpose:** mobilehome parks, churches, automobile agencies, medical buildings, convalescent hospitals, easements, leased fee and leasehold interests.

## QUALIFICATIONS, Page 2

### CLIENT LIST

#### **Corporations:**

Aera Energy	MCP Foods
British Pacific Properties	Merrill Lynch Relocation
BSI Consultants	Orangeland RV Park
Crown Central Petroleum	Pacific Scientific
Firestone Building Materials	Penhall International
Foodmaker Realty Corp.	Pic 'N Save Stores
Greyhound Lines	Sargent-Fletcher Co.
Holiday Rambler Corp.	Shell-Western E&P
International Baking Co.	Southern Distributors Corp.
Johnson Controls	Southern California Edison
Kampgrounds of America	The Home Depot
Knowlwood Restaurants	Tooley and Company
La Habra Products, Inc.	Wastewater Disposal Co.

#### **Developers:**

Brighton Homes	Mark Taylor, Inc.
Brookfield	Mission Viejo Co.
Citation Builders	Premier Homes
Davison-Ferguson Investment Devel.	Presley Homes
D.T. Smith Homes	Rockefeller & Associates
Irvine Company	Taylor Woodrow Homes
Kathryn Thompson Developers	Unocal Land & Development

#### **Law Firms:**

Atkinson, Andelson, Loya, Ruud & Romo	Oliver, Barr & Vose
Baldikoski, Klotz & Dragonette	Ollestad, Freedman & Taylor
Best, Best & Krieger LLP	Palmieri, Tyler, Wiener, Wilhelm & Waldron LLP
Bowie, Arneson, Wiles & Giannone	Paul, Hastings, Jonofsky & Walker LLP
Bye, Hatcher & Piggott	Piggott, George B.
Callahan, McCune & Willis	Pothier, Rose
Cooksey, Coleman & Howard	Rosenthal & Zimmerman
Dawson & Dawson	Ross Wersching & Wolcott LLP
Hamilton & Samuels	Rutan & Tucker, LLP
Horgan, Rosen, Beckham & Coren	Sikora & Price, Inc.
Kirkland & Ellis	Smith & Politiski
Latham & Watkins LLP	Williams, Gerold G.
McKee, Charles C.	Woodruff, Spradlin & Smart, P.C.
Mosich, Nicholas J.	Yates, Sealy M.
Long, David M.	
Nossaman, Guthner, Knox & Elliott, LLP	

#### **Financial Institutions:**

Ahmanson Trust Company	NorthMarq
Barclays Bank	Pacific Western Bank
Chino Valley Bank	San Clemente Savings & Loan
Continental Bank	Security Pacific Bank
First Interstate Mortgage	Sunwest Bank
First Niagara Bank	United Calif. Savings Bank
First Wisconsin Bank	Washington Square Capital

## QUALIFICATIONS, Page 3

### Cities:

Anaheim	Laguna Beach	San Marino
Baldwin Park	Lake Elsinore	Santa Ana
Buena Park	Long Beach	Santa Fe Springs
City of Industry	Mission Viejo	Santee
Cypress	Orange	Stanton
Dana Point	Placentia	Temecula
Duarte	Riverside	Tustin
Fontana	Seal Beach	Yorba Linda
Fullerton	San Clemente	
La Habra	San Diego	

### Counties:

County of Orange	County of Riverside
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### Other Governmental:

Agua Mansa Industrial Growth Association	Metropolitan Water District
El Toro Water District	Orange County Water District
Federal Deposit Insurance Corporation (FDIC)	Trabuco Canyon Water District
Kern County Employees Retirement Association	U.S. Postal Service
Lee Lake Water Dist.	

### School Districts:

Alvord Unified	Irvine Unified	Romoland
Anaheim Union High	Lake Elsinore Unified	Saddleback Valley Unified
Anaheim Elementary	Menifee Union	San Jacinto Unified
Banning Unified	Moreno Valley Unified	San Marcos Unified
Beaumont Unified	Newhall	Santa Ana Unified
Capistrano Unified	Newport-Mesa Unified	Saugus Union
Castaic Union	Orange Unified	Sulphur Springs Union
Cypress	Palm Springs Unified	Westside Union
Etiwanda	Placentia-Yorba Linda Unif.	William S. Hart Union High
Fullerton	Poway Unified	Victor Elementary
Fullerton Jt. Union High	Rialto Unified	
Garden Grove Unified	Riverside Unified	

### Churches/Church Organizations:

Calvary Church, Santa Ana	Lutheran Church, Missouri Synod
Central Baptist Church, Pomona	Presbytery of Los Rancho
Christian & Missionary Alliance Church, Santa Ana	St. Mark's Lutheran Church, Hac. Hts.
Christian Church Foundation	United Methodist Church
Congregational Church, Fullerton	Vineyard Christian Fellowship
First Church of the Nazarene	Yorba Linda United Methodist Church

### Other:

Beverly Hospital	Claremont University Consortium
Biola University	Fullerton College
Cedars-Sinai Medical Center	So. Org. Cnty. Comm. College Dist.

## APPENDIX C

### FORMS OF CONTINUING DISCLOSURE CERTIFICATE

[SCHOOL DISTRICT]

**\$3,415,000**

#### **COMMUNITY FACILITIES DISTRICT NO. 11 OF THE OF SAN MARCOS UNIFIED SCHOOL DISTRICT SERIES 2019 SPECIAL TAX BONDS**

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the Community Facilities District No. 11 of the San Marcos Unified School District (the "District") in connection with the issuance of the Community Facilities District No. 11 of the San Marcos Unified School District Series 2019 Special Tax Bonds (the "Bonds"). The Bonds are issued and secured pursuant the provisions of a resolution of the Governing Board of San Marcos Unified School District (the "School District"), acting as the Legislative Body of the District, adopted on October 15, 2019 (the "Resolution"), provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the California Government Code), and the Fiscal Agent Agreement, dated as of November 1, 2019 (the "Fiscal Agent Agreement"), by and between the District and MUFJ Union Bank, N.A., as fiscal agent (the "Fiscal Agent").

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriter (as defined herein) in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Annual Report Date" shall mean March 31 in each year the Bonds are outstanding.

"Disclosure Representative" shall mean the Assistant Superintendent, Business Services of the School District, or his or her designee, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Cooperative Strategies, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA System" shall mean the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board (the "MSRB") or such other electronic system designated by the MSRB or the Securities and Exchange Commission (the "S.E.C.") for compliance with S.E.C. Rule 15c2-12(b).

“Financial Obligation” means a: (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of a clause (i) debt obligation or of a clause (ii) a derivative instrument described above; provided, however, that the term “Financial Obligation” shall not include “municipal securities” (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a “final official statement” (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the twelve-month period beginning on July 1 of each year and ending on June 30 of the following year.

“Listed Events” shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“Official Statement” shall mean the Official Statement, dated November 7, 2019 relating to the Bonds.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated as the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean 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 District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, provide to the MSRB, through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB, and to the Participating Underwriter, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report and later than the date required above if not available by that date. The Annual Report for Fiscal Year 2018-19, which shall be due by March 31, 2020, shall be satisfied by the Official Statement and filing the audited financial statements of the School District for Fiscal Year 2018-19. Not later than fifteen (15) business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference (or incorporate by reference) other information as provided in Section 4 of this Disclosure Certificate. The information contained or incorporated in each Annual Report shall be for the Fiscal Year which ended on the preceding June 30. The District 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. The Dissemination Agent may conclusively rely upon such certifications of the District and shall have no liability, duty or obligation whatsoever to review any such Annual Report. Further, the Dissemination Agent shall have no liability for the contents of any such Annual Report.



NO FUNDS OR ASSETS OF THE SCHOOL DISTRICT ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND THE SCHOOL DISTRICT IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE SCHOOL DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB through the EMMA System by the date specified in subsection (a), the Dissemination Agent in a timely manner shall send a notice to the MSRB through the EMMA System, in substantially the form attached as Attachment A.

(c) The Dissemination Agent shall: (i) determine each year prior to the date for providing the Annual Report the electronic filing requirements of the MSRB for the Annual Report; and (ii) provide any Annual Report received by it to the MSRB through the EMMA System. If the Dissemination Agent is other than the District and to the extent such Dissemination Agent can confirm such filing of the Annual Report, provide notice to the District that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA system and to the Participating Underwriter.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

- (a) the principal amount of the Bonds outstanding as of September 30 of each year;
- (b) the balance in each fund and account under the Fiscal Agent Agreement as of the September 30 preceding the filing of the Annual Report, including the Reserve Fund and a statement of the Reserve Requirement;
- (c) an update of the information in Table 1A of the Official Statement using the current year's actual Special Tax levy and information regarding the percentage of delinquency, if any, in the collection of Special Taxes levied on property in the District for the Fiscal Year preceding the Annual Filing Date;
- (d) any changes to the Rate and Method of Apportionment of Special Tax approved or submitted to the electors for approval prior to the filing of the Annual Report;
- (e) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;
- (f) an update of the information in Tables 8B and 8C of the Official Statement using the current year's assessed value for taxable property in the District; provided, however, that the information in Table 8B is not required to be updated after the ownership of all property has completely transferred to individual homeowners. The lien values in such table will include all of the Bonds then outstanding and any refunding bonds of the District;
- (g) any information not already included under (a) through (g) above that the District is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended; and

(h) (i) the total amount of the Special Taxes levied in the District in the current Fiscal Year to pay debt service on the Outstanding Bonds; (ii) the total amount of such Special Taxes that was collected for the first installment of the current Fiscal Year; and (iii) the total amount of interest due on the Outstanding Bonds on the succeeding September 1 Interest Payment Date.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District, the School District or related public entities, which have been submitted to the MSRB through the EMMA System or the S.E.C. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the District shall file, or if the Dissemination Agent is other than the District, promptly instruct the Dissemination Agent in writing to file a notice with the MSRB through the EMMA System of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;<sup>(1)</sup>

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<sup>(1)</sup> 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

13. The consummation of a merger, consolidation or acquisition involving an obligated person or sale of all or substantially all of the assets of the obligated person, 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, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event subject to a materiality requirement set forth in subparagraph 2, 6, 7, 8, 10, 13, 14 or 15 above, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) The District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the MSRB through the EMMA System in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Cooperative Strategies, LLC. The Dissemination Agent may resign by providing thirty (30) days' written notice to the District. If at any time there is no designated Dissemination Agent appointed by the District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder.

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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.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment requested by the District, provided the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities law, acceptable to the District and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the first annual financial information 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. The comparison shall include a 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 statements or information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be given in the same manner as for a Listed Event under Section 5(b).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the District chooses 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 Certificate, the District shall have no obligation under this Disclosure Certificate 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 District or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the Dissemination Agent may, and, at the request of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of the outstanding Bonds, shall (but only to the extent funds in any amount satisfactory to the Dissemination Agent have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges whatsoever related thereto, including without limitation, fees and expenses of its attorneys), or any Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or the Dissemination Agent, as applicable, to comply with their obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Fiscal Agent Agreement and the sole remedy under this Disclosure Certificate in the event of any failure of the District or

the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Certificate. This Disclosure Certificate does not apply to any other securities issued or to be issued by the District. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any notice of a Listed Event. No provision of this Disclosure Certificate shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the District regarding any event for purposes of Section 5 hereof. The Dissemination Agent make any representation as to the sufficiency of this Disclosure Certificate for purposes of the Rule. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of their duties hereunder. The obligations of the District under this Section shall survive the termination of this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: November 21, 2019

COMMUNITY FACILITIES DISTRICT NO.  
11 OF THE SAN MARCOS UNIFIED  
SCHOOL DISTRICT

By: \_\_\_\_\_  
Authorized Officer

Acknowledged and Accepted by:

COOPERATIVE STRATEGIES, LLC, as  
Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

**ATTACHMENT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Community Facilities District No. 11 of the San Marcos Unified School District

Name of Bond Issue: Community Facilities District No. 11 of the San Marcos Unified School District Series 2019 Special Tax Bonds

Date of Issuance: November 21, 2019

NOTICE IS HEREBY GIVEN that the Community Facilities District No. 11 of the San Marcos Unified School District (the "District") has not provided an Annual Report with respect to the above-referenced Bonds. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

COOPERATIVE STRATEGIES, LLC  
as Dissemination Agent on behalf of the District

By: \_\_\_\_\_  
Authorized Signatory

cc: San Marcos Unified School District

[DEVELOPER]

**\$3,415,000**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**OF THE OF SAN MARCOS UNIFIED SCHOOL DISTRICT**  
**SERIES 2019 SPECIAL TAX BONDS**

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) dated as of November 21, 2019, is executed and delivered by Western Pacific Housing, Inc., a Delaware corporation (the “Developer”) in connection with the issuance by Community Facilities District No. 11 of the San Marcos Unified School District (the “District”) of its Series 2019 Special Tax Bonds (the “Bonds”). The Bonds are issued and secured pursuant the provisions of a resolution of the Governing Board of San Marcos Unified School District (the “School District”), acting as the legislative body of the District, adopted on October 15, 2019 (the “Resolution”), provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the California Government Code), and the Fiscal Agent Agreement, dated as of November 1, 2019 (the “Fiscal Agent Agreement”), by and between Community Facilities District No. 11 of the District and MUFJ Union Bank, N.A., as fiscal agent (the “Fiscal Agent”).

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the holders and beneficial owners of the Bonds.

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 50% or more of the outstanding voting securities of such other Person, (b) any Person, 50% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“Assumption Agreement” means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner’s development and financing plans with respect to the District), whereby such Major Owner or Affiliate agrees to provide periodic reports and notices of listed events, setting forth the information described in Sections 4 and 5 hereof, respectively, with respect to the portion of the property in the District owned by such Major Owner and its Affiliates and, at the option of the Developer or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 12 hereof.

“Dissemination Agent” means the Developer, or any successor Dissemination Agent designated in writing by the Developer, and which has filed with the Developer, the District and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.



“EMMA System” means the Electronic Municipal Market Access System of the MSRB or such other electronic system designated by the MSRB (as defined below) or the Securities and Exchange Commission.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“Major Owner” means, as of any Report Date, an owner of land in the District that is responsible in the aggregate for 20% or more of the Special Taxes in the District anticipated to be levied at any time during the then-current fiscal year.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final official statement executed by the District in connection with the issuance of the Bonds.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated as the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Periodic Report” means any Periodic Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Property” means the property owned by the Developer in the District.

“Report Date” means April 1 and October 1 of any fiscal year.

“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.

“Special Taxes” means the special taxes of the District levied on taxable property within the District.

### Section 3. Provision of Periodic Reports.

(a) The Developer shall, or, upon written direction of the Developer the Dissemination Agent shall, not later than the Report Date, commencing April 1, 2020, file or cause to be filed with the MSRB through the EMMA System a Periodic Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the District. Not later than 15 calendar days prior to the Report Date, the Developer shall provide the Periodic Report to the Dissemination Agent (if different from the Developer). The Developer shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Developer), the Fiscal Agent (if different from the Dissemination Agent),

the Participating Underwriter and the District to the effect that such Periodic Report constitutes the Periodic Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Fiscal Agent, the Participating Underwriter and the District may conclusively rely upon such certification of the Developer and shall have no duty or obligation to review the Periodic Report. The Periodic Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Periodic Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Developer that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Developer to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Developer does not provide, or cause the Dissemination Agent to provide, a Periodic Report to the MSRB through the EMMA System by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice in a timely manner to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the District and the Participating Underwriter.

(c) With respect to the Periodic Report, the Dissemination Agent shall, to the extent the Periodic Report has been furnished to it, file the Periodic Report with the MSRB through the EMMA System and file a report with the Developer (if the Dissemination Agent is other than the Developer), the District and the Participating Underwriter certifying that the Periodic Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to and filed with the MSRB through the EMMA System.

Section 4. Content of Periodic Reports. The Developer's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit B relating to the Developer, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Developer or related public entities, which have been submitted to the MSRB through the EMMA System or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, the Developer's Periodic Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) The Developer shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Developer and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Developer that is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date;

(iii) filing of a lawsuit of which the Developer is aware against the Developer or an Affiliate seeking damages, which is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Developer on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Developer shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Fiscal Agent, the District and the Participating Underwriter.

Section 6. Identifying Information for Filings with the MSRB; Format for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Duration of Reporting Obligation.

(a) All the Developer's obligations hereunder shall commence on the date hereof and terminate (except as provided in Section 12) on the earliest to occur of the following:

(i) the defeasance, prior redemption or payment in full of all of the Bonds, or

(ii) the date on which the Developer has closed escrow on the sale to homeowners of 150 homes in the District.

The Developer shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5. Nothing herein shall require any person (including, without limitation, the District, the School District, or the Participating Underwriter) to confirm the satisfaction of any condition for termination of the Developer's obligations hereunder pursuant to this Section 7.

(b) If a portion of the Property owned by the Developer, or any Affiliate of the Developer, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of the Developer hereunder with respect to the property in the District owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof, and if so assumed the Developer's obligations hereunder with respect to such portion of the Property will be terminated. In order to effect such an assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement in form and substance reasonably satisfactory to the

District and the Participating Underwriter. If not so assumed, the Developer shall report the information, as applicable to the transferee, required herein so long as the transferee is a Major Owner.

Section 8. Dissemination Agent. The Developer may, from time to time, appoint or engage a Dissemination Agent to assist the Developer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Developer. The Dissemination Agent may resign by providing 30 days' written notice to the District, the Developer and the Fiscal Agent. If at any time there is no designated Dissemination Agent appointed by the Developer, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the Developer shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Periodic Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Periodic Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Periodic Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Developer or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the Dissemination Agent may, and, at the request of the District or the Owners of at least 25% of the aggregate principal amount of the outstanding Bonds, shall (but only to the extent funds in any amount satisfactory to the Dissemination Agent have been provided to it or it has been otherwise indemnified to its

satisfaction from any cost, liability, expense or additional charges whatsoever related thereto, including without limitation, fees and expenses of its attorneys), or any Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer or the Dissemination Agent, as applicable, to comply with their obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Fiscal Agent Agreement and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent, if other than the Developer.

(a) The Dissemination Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Certificate. This Disclosure Certificate does not apply to any other continuing disclosure obligations of the Developer.

(b) If the Dissemination Agent is other than the Developer:

- (i) Such Dissemination Agent shall have no responsibility for the preparation, review, form or content of any notice of a Listed Event;
- (ii) No provision of this Disclosure Certificate shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder;
- (iii) Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate;
- (iv) The Dissemination Agent may conclusively rely on the determination of the Developer regarding any event for purposes of Section 5 hereof;
- (v) The Dissemination Agent make any representation as to the sufficiency of this Disclosure Certificate for any purposes; and
- (vi) The Dissemination Agent shall be paid compensation by the Developer for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of their duties hereunder.

(c) The obligations of the Developer under this Section shall survive the termination of this Disclosure Certificate.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Developer/  
Dissemination Agent

D.R. Horton  
South Coast/Inland Empire Division  
2280 Wardlow Circle, Suite 100  
Corona, CA 92880  
Attn: Barbara Murakami, Vice President  
Email: bmmurakami@drhorton.com  
Phone: (951) 739-5443

With a copy to:

D.R. Horton  
South Coast/Inland Empire Division  
2280 Wardlow Circle, Suite 100  
Corona, CA 92880  
Attn: Marianne F. Adriatico,  
Division Counsel  
Email: mfadriatico@drhorton.com  
Phone: (951) 739-5437

and

O'Neil LLP  
1990 MacArthur Blvd., Suite 1050  
Irvine, California 92612  
Attention: Sandra Galle  
Email: sgalle@oneil-llp.com  
Phone: (949) 798-0725

To the District:

San Marcos Unified School District  
Attn: Assistant Superintendent, Business Services  
255 Pico Avenue, Suite 250  
San Marcos, CA 92069

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Developer (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Developer hereunder shall be assumed by any legal successor to the obligations of the Developer as a result of a sale, merger, consolidation or other reorganization.

Section 15. Counterparts. This Disclosure Certificate 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.

IN WITNESS WHEREOF, the Developer has executed this Disclosure Certificate as of the date first above written.

Western Pacific Housing, Inc., a Delaware corporation

By: \_\_\_\_\_  
Barbara M. Murakami  
Vice President

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE PERIODIC REPORT**

Name of Issuer: Community Facilities District No. 11 of the San Marcos Unified School District

Name of Bond Issue: Community Facilities District No. 11 of the San Marcos Unified School District Series 2019 Special Tax Bonds

Date of Issuance: November 21, 2019

NOTICE IS HEREBY GIVEN that \_\_\_\_\_ (the "Major Owner") has not provided a Periodic Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Periodic Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Dissemination Agent

By: \_\_\_\_\_

Its: \_\_\_\_\_

cc: Developer, District



**EXHIBIT B**

**PERIODIC REPORT**

**\$3,415,000**

**COMMUNITY FACILITIES DISTRICT NO. 11  
OF THE OF SAN MARCOS UNIFIED SCHOOL DISTRICT  
SERIES 2019 SPECIAL TAX BONDS**

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "Disclosure Certificate") dated \_\_\_\_\_, 2019 executed by the undersigned (the "Developer") in connection with the issuance of the above-captioned bonds by Community Facilities District No. 11 of the San Marcos Unified School District (the "District").

Capitalized terms used in this Periodic Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of \_\_\_\_\_ (this date must be not more than 60 days before the date of this Periodic Report).

A. Property currently owned by the Developer in the District (the "Property"):

Development name: \_\_\_\_\_

Number of units/lots (acreage): \_\_\_\_\_

B. Status of land development or construction activities:

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C. Status of building permits and any significant amendments to land use or development entitlements:

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D. Aggregate property sold, optioned or leased by the Developer to individual homeowners or merchant builders:

Since the Date of Issuance of the Bonds		Since the Last Periodic Report	
Acres*	_____	Acres*	_____
Units/Lots	_____	Units/Lots	_____
Bldg. Sq. Ft.	_____	Bldg. Sq. Ft.	_____

\* For bulk land sales only (excluding sales of finished units/lots or completed buildings).

E. Status of any land purchase contracts with regard to the Property, whether acquisition of land in the District by the Developer or sales of land in the District to other property owners, distinguishing between (i) individual homeowners, (ii) developers and (iii) merchant builders.

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## II. Legal and Financial Status of Developer

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Developer or the financial condition and financing plan of the Developer that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

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## III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

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## IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any other significant changes in the information relating to the Developer or the Property contained in the Official Statement under the heading "PROPERTY OWNERSHIP AND THE DEVELOPMENT" that would materially and adversely interfere with the

Developer's ability to develop and sell homes on the Property as described in the Official Statement.

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V. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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Certification

The undersigned Developer hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Developer under the Disclosure Certificate.

ANY STATEMENTS REGARDING THE DEVELOPER, THE DEVELOPMENT OF THE PROPERTY, THE DEVELOPER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE DEVELOPER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE DEVELOPER. THE DEVELOPER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE DEVELOPER HAS NO OBLIGATION TO UPDATE THIS PERIODIC REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: \_\_\_\_\_

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By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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## APPENDIX D

### PROPOSED FORM OF OPINION OF BOND COUNSEL

*Upon delivery of the Bonds, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel to the San Marcos Unified School District, proposes to render their final approving opinion with respect to the Bonds in substantially the following form:*

[Dated Date]

Governing Board  
San Marcos Unified School District  
255 Pico Avenue, Suite 250  
San Marcos, CA 92069

Re: \$3,415,000 Community Facilities District No. 11 of the San Marcos Unified School District Series 2019 Special Tax Bonds  
**Final Opinion of Bond Counsel**

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Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Community Facilities District No. 11 of the San Marcos Unified School District ("District") of \$3,415,000 aggregate principal amount of bonds designated "Community Facilities District No. 11 of the San Marcos Unified School District Series 2019 Special Tax Bonds" ("Bonds"). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), Resolution # 20-19/20, adopted by the Governing Board of the San Marcos Unified School District ("Board" and "School District," respectively) acting in its capacity as the Legislative Body of the District on October 15, 2019 and the Fiscal Agent Agreement executed in connection therewith dated as of November 1, 2019, by and between the District and MUFJ Union Bank, N.A. ("Fiscal Agent Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Fiscal Agent Agreement.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the formation of the District and the issuance of the Bonds ("District Proceedings"). We have also examined certificates and representations made by public officials and officers of the District, the School District and the purchaser of the Bonds, including certificates as to factual matters, including, but not limited to, the Tax Certificate, as we have deemed necessary to render the opinions set forth herein.

Attention is called to the fact that we have not been requested to examine, and have not examined, any documents or information relating to the District or the School District other than the record of the District Proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof which has been or may be supplied to any purchaser of the Bonds. In rendering the opinions set forth herein, we have relied upon the representations of fact and certifications referred to herein, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual

matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Fiscal Agent Agreement, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any matters that come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with the issuance thereof and we disclaim any obligation to update this letter.

In addition, we call attention to the fact that the rights and obligations under the Bonds, the Fiscal Agent Agreement and other documents related to the District Proceedings are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. We express no opinion with regard to "Blue Sky" laws in connection with the Bonds. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The Fiscal Agent Agreement and other documents related to the District Proceedings refer to certain requirements and procedures which may be changed and certain actions which may be taken or omitted under the circumstances and subject to terms and conditions set forth in such documents, in certain cases upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to the effect on any Bond or the interest thereon if any such change is made, or action is taken or omitted, upon the advice or approval of counsel other than ourselves.

Based on and subject to the foregoing, and in reliance thereon, and our consideration of such questions of law as we have deemed relevant to the circumstances, we are of the following opinions:

1. The District has, and the District Proceedings show, full power and authority to issue the Bonds. The Bonds constitute legal, valid and binding obligations of the District, payable in accordance with their terms. The Bonds are limited obligations of the District payable solely from and secured by a pledge of the Net Taxes, and from other funds and accounts pursuant to the Fiscal Agent Agreement, and are not obligations of the School District, the State or any public agency thereof (other

than the District). The District has the full right, power and authority to levy and pledge the Net Taxes to the Owners of the Bonds.

2. The Fiscal Agent Agreement has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the District.
3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

We express no opinion as to any matter other than as expressly set forth above.

Very truly yours,

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## APPENDIX E

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### SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

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#### COMMUNITY FACILITIES DISTRICT NO. 11 OF THE SAN MARCOS UNIFIED SCHOOL DISTRICT SERIES 2019 SPECIAL TAX BONDS

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*The following is a brief summary of certain provisions of the Fiscal Agent Agreement, relative to the above-referenced Bonds. This summary is not intended to be definitive and is qualified in its entirety by reference to such Fiscal Agent Agreement for the complete terms thereof. Copies of the Fiscal Agent Agreement are available upon request from the San Marcos Unified School District.*

#### **Definitions**

The following are summaries of definitions of certain terms used in this Summary. All capitalized terms not defined therein or elsewhere in the Official Statement have the meaning(s) set forth in the Fiscal Agent Agreement.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311, *et seq.*, of the Government Code of the State of California.

“Administrative Expense Fund” means the fund of that name established under and held by the Fiscal Agent pursuant to the provisions of the Fiscal Agent Agreement.

“Administrative Expense Requirement” means an amount up to a maximum of \$25,000 per Fiscal Year, which amount shall escalate at two percent (2.00%) per Fiscal Year beginning with Fiscal Year 2019-2020.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes and any other costs related to the Series 2019 Special Tax Bonds and the Fiscal Agent Agreement, including the fees and expenses of the Fiscal Agent and any Persons, parties, consultants or attorneys employed pursuant to the provisions of the Fiscal Agent Agreement, costs and legal expenses of foreclosure actions undertaken pursuant to the terms of the Fiscal Agent Agreement to the extent not recovered pursuant to statutory authorization, costs otherwise incurred by the District in order to carry out the authorized purposes of the Series 2019 Special Tax Bonds, including statutory disclosure for the District’s continuing disclosure obligations and reporting requirements and for “Administrative Expense” as defined in the Rate and Method.

“Annual Debt Service” means, with respect to any Outstanding Series 2019 Special Tax Bonds, for each Bond Year, the sum of (a) the interest payable on such Series 2019 Special Tax Bonds in such Bond Year, and (b) the principal amount of the Outstanding Series 2019 Special Tax Bonds scheduled to be paid in such Bond Year.

“Authorized Investments” means, subject to the Fiscal Agent Agreement, any of the following investments, if and to the extent the same are at the time legal for investment of the School District’s funds:

(a) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States of America are pledged for the payment of principal and interest, and which have a maximum term to maturity not to exceed three years.

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, and which have a maximum term to maturity not to exceed three years, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA’s)
- Federal Housing Administration
- Federal Financing Bank

(c) 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, and which have a maximum term to maturity not to exceed three years:

- Senior debt obligations rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System

(d) Registered state warrants or treasury notes or bonds of the State of California (“State”), including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State, which are rated in one of the two highest short-term or long-term rating categories by Moody’s or Standard & Poor’s.

(e) Registered bonds, notes, warrants or other evidences of indebtedness of any local agency of the State, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, where the interest on such local agency obligation is exempt from federal and State income taxes and which are rated in one of the two highest short-term or long-term rating categories by Moody’s or Standard & Poor’s.

(f) Deposit accounts, time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company, which may include the Fiscal Agent or its affiliates, or a state or federal savings and loan association; provided, that the deposit shall be one or more of the following:

- (1) Continuously and fully insured by the Federal Deposit Insurance Corporation.
- (2) Continuously and fully secured by securities described in clause (a) or (b) above which shall have a market value, as determined on a marked-to-market basis calculated at least weekly, and exclusive of accrued interest, or not less than one hundred two percent (102%) of the principal amount of the certificates on deposit.

(g) Commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by Moody’s and Standard & Poor’s, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an “A2” or “A” or higher rating for the issuer’s debentures, other than commercial paper, by Moody’s and Standard & Poor’s, provided that purchases of eligible commercial paper may not exceed 180 days’ maturity nor represent more than ten percent (10%) of the outstanding commercial paper of an issuing corporation. Purchases of commercial paper may not exceed twenty percent (20%) of the proceeds of the Series 2019 Special Tax Bonds.

(h) A repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, the long term debt of which is rated at least “A2” or “A” by Moody’s and Standard & Poor’s, provided that all of the following conditions are satisfied:

- (1) (A) The agreement is secured by any one or more of the securities described in clause (a) above of this definition of Authorized Investments (“Underlying Securities”);
- (B) The Underlying Securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and which is independent of the issuer of the repurchase agreement (“Holder of Collateral”) and the Underlying Securities have been transferred to the Holder of Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books); and
- (C) The Underlying Securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than one hundred three percent (103%) of the amount so invested and at such levels and additional conditions not otherwise in conflict with the terms above as would be acceptable to Standard & Poor’s and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach).

- (2) The repurchase agreement shall provide that if during its term the provider's rating by Moody's and Standard & Poor's is withdrawn or suspended or falls below "A-" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must within ten (10) days of receipt of direction from the Fiscal Agent, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Fiscal Agent.

(i) An investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution, the long-term unsecured obligations of which are rated "Aa2" or "AA" or better by Moody's and Standard & Poor's at the time of initial investment ("Provider"). The investment agreement shall be subject to a downgrade provision with at least the following requirements:

- (1) If within five Business Days after the Provider's long-term unsecured credit rating has been reduced below "AA-" by Standard & Poor's or below "Aa3" by Moody's (these events are called "Rating Downgrades"), the Provider shall give notice to the Fiscal Agent and the District and, within the five-day period, and for as long as the Rating Downgrade is in effect, shall deliver or transfer in the name of the District to the Fiscal Agent or a third party acting solely as agent therefore (the "Holder of Collateral") (other than by means of entries on the Provider's books) federal securities allowed as investments under clause (a) above with aggregate current market value equal to at least one hundred five percent (105%) of the principal amount of the investment agreement invested with the Provider at that time, and shall deliver additional such federal securities as needed to maintain an aggregate current market value equal to at least one hundred five percent (105%) of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly.
- (2) If the Provider's long-term unsecured credit rating is withdrawn, suspended, other than because of general withdrawal or suspension by Moody's or Standard & Poor's from the practice of rating that debt, or reduced below "Aa3" by Moody's or below "AA-" by Standard & Poor's, the Provider shall give notice of the rating downgrade to the District and the Fiscal Agent, shall, upon five Business Days' written notice to the Provider, withdraw the investment agreement, with accrued but unpaid interest thereon to the date, and terminate such agreement.

(j) A taxable or tax-exempt government money market portfolio mutual fund restricted to obligations with either maturities of one year or less or a dollar weighted average maturity of 120 days or less, and either issued, guaranteed or collateralized as to payment of principal and interest by the full faith and credit of the United States of America or rated in one of the three highest categories by Moody's or Standard & Poor's. Such money market funds may include funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services.

(k) The Local Agency Investment Fund referred to in Section 16429.1 of the Government Code of the State of California, to the extent the Fiscal Agent may deposit and withdraw funds directly.

(l) The San Diego County Investment Pool, provided the District may statutorily invest funds in such Investment Pool.

(m) The California Asset Management Program (CAMP).

“Authorized Representative(s)” or “District Representative(s)” means an officer of the School District authorized to provide written directives on behalf of the District, which shall include the School District’s Superintendent, Assistant Superintendent, Business Services and such other Persons as shall be designated in writing by the School District.

“Board” or “Governing Board” means the Governing Board of the San Marcos Unified School District.

“Bond Counsel” means a firm of nationally recognized bond attorneys, initially Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation.

“Bond Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Bond Register” means the books which the Fiscal Agent shall keep or cause to be kept on which the registration and transfer of the Bonds shall be recorded.

“Bond Year” means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Dated Date to September 1, 2020, both dates inclusive.

“Bondowner(s)” or “Owner(s)” means the Person or Persons in whose name or names any Bond is registered.

“Bonds” or “Series 2019 Special Tax Bonds” means the Community Facilities District No. 11 of the San Marcos Unified School District Series 2019 Special Tax Bonds.

“Business Day” means a day which is not a Saturday or a Sunday or a day on which banks in Los Angeles, California are not required or permitted to be closed.

“Capitalized Interest Subaccount” means that subaccount of the Interest Account of the Bond Fund established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Cash Deposit(s)” means a cash deposit(s) provided pursuant to the Fiscal Agent Agreement.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

“Completion Date” means the date on which the Project is completed and all Project Costs have been paid as evidenced by a certificate to that effect delivered to the Fiscal Agent by the District.

“Construction Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the District or School District and related to the authorization, issuance and sale of the Series 2019 Special Tax Bonds, which items of expense shall include, but not be limited to, costs of formation of CFD No. 11, printing costs, cost of reproducing and binding documents, closing costs, appraisal costs, mortgage study costs, filing and recording fees, fees and expenses of counsel to the District or School District, initial fees and expenses of the Fiscal Agent, including its first annual administration fee and fees of its counsel, expenses incurred by the District and the School District in connection with the authorization and issuance of the Series 2019 Special Tax Bonds and the establishment of the District, contractual reimbursements due from CFD No. 11, legal fees and charges, including Bond Counsel and Disclosure Counsel, District financial consultants’ fees, costs of bond insurance and any reserve fund surety, charges for execution, transportation and safekeeping of the Series 2019 Special Tax Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Account” means the account of that name within the Construction Fund established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Dated Date” or “Delivery Date” means the date the Series 2019 Special Tax Bonds are delivered.

“Depository” means any depository which holds any Bonds pursuant to the terms of the Fiscal Agent Agreement, initially The Depository Trust Company (DTC).

“Designated Corporate Trust Office” means the corporate trust office of the Fiscal Agent, which, at the date of execution of the Fiscal Agent Agreement, is located at 445 South Figueroa Street, Suite 401, Los Angeles, CA 90071, Attention: Corporate Trust Office, or such other office(s) as the Fiscal Agent may designate from time to time; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

“Developed Property” shall have the same meaning set forth in the Rate and Method.

“Developer(s)” means those parties developing the property within the District as identified under the terms of the School Facilities Funding Agreement.

“Dissemination Agent” means Cooperative Strategies, LLC, or any successor dissemination agent appointed by the District pursuant to the District Continuing Disclosure Certificate.

“District” or “CFD No. 11” means Community Facilities District No. 11 of the San Marcos Unified School District.

“District Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate furnished by the District, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Excess Investment Earnings” shall mean an amount equal to the sum of:

(i) the excess of

(A) the aggregate amount earned from the Delivery Date on all Nonpurpose Investments in which Gross Proceeds are invested (other than amounts attributable to an excess described in this subparagraph (i)), over

(B) the amount that would have been earned if the yield on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (i)) had been equal to the Yield on the Series 2019 Special Tax Bonds,

plus

(ii) any income attributable to the excess described in paragraph (i).

In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and annual debt service on the Series 2019 Special Tax Bonds during each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of one year's earnings on such fund or account or one-twelfth (1/12) of annual debt service on the Series 2019 Special Tax Bonds, as well as amounts earned on said earnings. The District intends that the Bond Fund, including the Principal Account and the Interest Account established therein, the Special Tax Fund and the Redemption Fund will be the type of funds described in the preceding sentence.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent: direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons.

"Fiscal Agent" means MUFG Union Bank, N.A., and its successors and assigns or any other fiscal agent which may be appointed pursuant to the provisions of the Fiscal Agent Agreement.

"Fiscal Agent Agreement" means the Fiscal Agent Agreement, dated as of November 1, 2019, entered into by and between the District and the Fiscal Agent, as amended or supplemented pursuant to the terms thereof.

"Fiscal Year" means the period from July 1 to June 30 in any year.

"Gross Proceeds" means any proceeds of the Series 2019 Special Tax Bonds and any funds (other than proceeds of the Series 2019 Special Tax Bonds) that are part of a reserve or replacement fund for the Series 2019 Special Tax Bonds within the meaning of Section 1.148-1(b) of the Regulations.

"Gross Taxes" means the amount of all Special Taxes collected within Community Facilities District No. 11 as set out in the Rate and Method, and proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes.

“Independent Financial Consultant” means a consultant or firm of such consultants generally recognized to be qualified in the field of implementation and administration of community facilities districts, or the financial consulting field, appointed and paid by the District and who, or each of whom:

- (1) is independent of the District and the School District or any of the property owners within the District;
- (2) does not have any substantial interest, direct or indirect, with the District or any of the property owners within the District; and
- (3) is not connected with the District as a member, officer or employee of the District or any of the property owners within the District, but who may be regularly retained to make annual or other reports to the District.

“Informational Services” means the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access (EMMA) system, and, in accordance with then current guidelines of the Securities and Exchange Commission and/or such other services providing information with respect to called bonds as the District may designate in a written request of the District delivered to the Fiscal Agent.

“Interest Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Interest Payment Date” means March 1 and September 1 of each year during which Series 2019 Special Tax Bonds are Outstanding, commencing March 1, 2020.

“Land Purchaser(s)” is defined in the Fiscal Agent Agreement (see “Funds and Accounts – Letter of Credit Fund”).

“LC Developer” means the Developer, or a Land Purchaser.

“Legislative Body” means the Governing Board, acting as the Legislative Body of the District.

“Letter(s) of Credit” means that certain irrevocable, standby letter(s) of credit issued or provided pursuant to the Fiscal Agent Agreement by a Letter of Credit Bank(s), or any reissuance or extension thereof, which Letter(s) of Credit shall be in the applicable Stated Amount and shall be for an initial term of no less than one year.

“Letter of Credit Bank(s)” means the issuer from time to time of a Letter(s) of Credit and the respective successors and assigns of the issuer thereof and any surviving, resulting or transferee banking association or corporation with which, or into which, it may be consolidated or merged or to which it may transfer all of its banking business, provided that such entity shall have a minimum rating, at all times during the term of the Letter(s) of Credit, of Moody’s long-term rating of “A” and short-term rating of “P-1,” with the foregoing ratings to be evidenced by proof provided by the Letter of Credit Bank(s) to the District and the Fiscal Agent in writing.

“Letter of Credit Fund” means the fund of the name established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.



“Mandatory Redemption Account” means the account of that name within the Redemption Fund established under, and held by the Fiscal Agent pursuant to, the terms of the Fiscal Agent Agreement.

“Mandatory Sinking Payments” means the amounts to be applied to the redemption of the Series 2019 Special Tax Bonds in accordance with the schedule set forth in the Fiscal Agent Agreement and any subsequent schedule set forth in any Supplement.

“Maximum Annual Debt Service” means the maximum sum obtained for any remaining Bond Year prior to the final maturity on the Series 2019 Special Tax Bonds by totaling the following for each Bond Year:

- (1) the principal amount of all Outstanding Series 2019 Special Tax Bonds payable in such Bond Year whether at maturity or by redemption, together with any applicable premium thereon, if any premium is payable; and
- (2) the interest payable on the aggregate principal amount of Series 2019 Special Tax Bonds Outstanding in such Bond Year assuming the Series 2019 Special Tax Bonds are retired as scheduled.

“Moody’s” means Moody’s Investors Services, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Net Taxes” means the amount of all Gross Taxes minus the Administrative Expense Requirement.

“Nominee” means the nominee of DTC, which may be DTC, as determined from time to time pursuant to the provisions of the Fiscal Agent Agreement.

“Non-Homeowner Property” means property in the District that is owned by an LC Developer. Property in the District owned by individual homeowners of record shall not constitute Non-Homeowner Property.

“Nonpurpose Investments” means any security, investment, obligation, annuity, investment-type property, specified private activity bond or any other type of investment property defined in Section 148 of the Code in which Gross Proceeds are invested (other than tax-exempt securities which are described in Section 103(a) of the Code) and which is not acquired to carry out the governmental purpose of the Series 2019 Special Tax Bonds.

“Optional Redemption Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Ordinance” or “Ordinance # 03-17/18” means Ordinance # 03-17/18 adopted by the Board, acting as the Legislative Body, on July 17, 2018.

“Outstanding” means all Series 2019 Special Tax Bonds theretofore issued by the District, except:

- (1) Series 2019 Special Tax Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;
- (2) Series 2019 Special Tax 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 Fiscal Agent pursuant to the provisions of the Fiscal Agent Agreement; and
- (3) Series 2019 Special Tax Bonds paid and discharged pursuant to the provisions of the Fiscal Agent Agreement.

“Participating Underwriter” shall have the meaning ascribed thereto in the District Continuing Disclosure Certificate.

“Person” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Prepaid Special Taxes” means all Special Taxes prepaid to the District pursuant to Resolution # 66-17/18 of the School District, and the Rate and Method, during the term of the Fiscal Agent Agreement, less related applicable Administrative Expenses.

“Prepayment Account” means the account of that name established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Principal Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Project” means the “Facilities,” or any portion thereof, as defined in the Resolution of Formation, and the Community Facilities District Report, dated June 19, 2018, to be designed, constructed, acquired, financed, installed or completed by the District or the School District, as applicable.

“Project Costs” means the costs of design, acquisition, financing, construction and installation of the Project and all costs related thereto. Project Costs may include the payment, or prepayment, of lease payments necessary for the acquisition of all or part of the Project.

“Purchase Price” for the purpose of computation of the Yield of the Series 2019 Special Tax Bonds, has the meaning set forth in Treasury Regulations §1.148-1(f), and, in general, means for each maturity of the Series 2019 Special Tax Bonds the initial offering price to the public (not including bond houses and brokers, or similar Persons or organizations acting in the capacity of underwriters or wholesalers) at which price at least 10% of such is sold or, if the Series 2019 Special Tax Bonds are privately placed, the price paid by the original purchaser or the acquisition cost of the original purchaser for each such maturity. The term “Purchase Price,” for the purpose of computation of the Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds for acquisition thereof, or, if later, on the date that Investment Property (as defined in Section 148(b)(2) and (3) of the Code) constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2019 Special Tax Bonds, as the case may be.

“Rate and Method” means the Rate and Method of Apportionment of Special Taxes of the District, as set forth in the Ordinance and as approved pursuant to the Act, and as such may be amended or interpreted from time to time.

“Rebate Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Record Date” means the 15th day of the calendar month, whether or not such day is a business day, preceding an Interest Payment Date.

“Redemption Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Regulations” means any temporary, proposed or final regulations of the United States Department of Treasury with respect to obligations issued pursuant to Section 103 and Sections 141 to 150 of the Code.

“Representation Letter” shall mean the Blanket Letter of Representations from the District to the Depository as described in the Fiscal Agent Agreement.

“Reserve Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the terms of the Fiscal Agent Agreement.

“Reserve Requirement” means, with respect to the Bonds, an amount, as of any date of calculation, equal to the least of (i) 10% of the original principal amount of the Bonds, less original issue discount, if any, plus original issue premium, if any, (ii) Maximum Annual Debt Service on the Bonds, or (iii) 125% of average annual debt service on the Bonds; provided, however that the Reserve Requirement shall not exceed \$228,691.24.

“Residual Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the terms of the Fiscal Agent Agreement.

“Resolution of Issuance” means Resolution # 20-19/20 of the District, adopted by the Legislative Body on October 15, 2019, authorizing the issuance of the Series 2019 Special Tax Bonds and approving, among other things, the Fiscal Agent Agreement.

“Responsible Officer” of the Fiscal Agent means a trust officer or any other authorized officer of the Fiscal Agent at its Designated Corporate Trust Office.

“School District” means the San Marcos Unified School District.

“School Facilities” means facilities, projects and project costs for facilities to be owned and operated by the School District which are otherwise included under the definition of Project under the Fiscal Agent Agreement.

“School Facilities Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“School Facilities Funding Agreement” means, that School Facilities Funding Agreement, entered into by and between the School District and the therein-named developers, dated May

15, 2018, and as such School Facilities Funding Agreement may be amended, or assigned (in full or in part), from time to time.

“Securities Depositories” means The Depository Trust Company at its then-current address; and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a certificate delivered to the Fiscal Agent.

“Sinking Fund Payment” means the annual sinking fund payment to be deposited in the Sinking Fund Redemption Account of the Redemption Fund to redeem a portion of the Term Bonds.

“Sinking Fund Redemption Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the terms of the Fiscal Agent Agreement.

“Special Tax Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Special Taxes” means the Special Taxes levied within the District by action of the Legislative Body pursuant to the Act, the Rate and Method, the Resolution of Formation, the Ordinance, the voter approvals obtained at the Election and the provisions of the Act.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“State” means the State of California.

“Stated Amount(s)” means, during the time that a Cash Deposit(s) or Letter(s) of Credit is required in accordance with the requirement set forth in the Fiscal Agent Agreement as to the Series 2019 Special Tax Bonds, the estimated annual amount of Special Taxes to be levied in the current Fiscal Year on land in the District listed in the Fiscal Agent Agreement, assuming, for the purpose of the calculation of the Stated Amount and the determination of the estimated annual Special Taxes, that such land, if classified as Undeveloped Property, is classified as Developed Property(ies) under the Rate and Method and assigned to the Land Use Class such property was projected to be assigned to at the time of bond issuance, owned by any LC Developer. The initial Stated Amount(s) applicable to the property owned by the Developer is: \$142,345.

“Supplement” means any supplemental agreement amending or supplementing the Fiscal Agent Agreement.

“Tax Certificate” means the certificate of that name to be executed by an authorized representative of the District on the closing date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Term Bond(s)” means the Series 2019 Special Tax Bonds maturing September 1, 2043, and September 1, 2049.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated.

“Undeveloped Property” shall have the same meaning set forth in the Rate and Method and set forth in the Ordinance.

“Yield” means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series 2019 Special Tax Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Series 2019 Special Tax Bonds, as the case may be, all computed as prescribed in the applicable Regulations.

**Bond Terms**

The Series 2019 Special Tax Bonds are issued pursuant to the Resolution of Issuance, the Act, the community facilities district formation proceedings and the Fiscal Agent Agreement in the amounts and maturities set forth in the Fiscal Agent Agreement (see “INTRODUCTION,” “THE BONDS – Authority for Issuance” and “– Debt Service Schedule” in the Official Statement for further information).

Purpose of the Bonds. The Series 2019 Special Tax Bonds are being issued, pursuant to the Act, to (i) finance School Facilities for the School District, (ii) fund a Reserve Fund for the Series 2019 Special Tax Bonds, (iii) fund capitalized interest on the Series 2019 Special Tax Bonds, (iv) make an initial deposit in the Administrative Fund, and (v) pay certain Costs of Issuance. See “INTRODUCTION – General,” and “FINANCING PLAN” in the Official Statement for further information.

Limited Obligation. The Series 2019 Special Tax Bonds shall be and are limited obligations of the District and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and amounts in certain funds and accounts created pursuant to the Fiscal Agent Agreement as specified therein. The Net Taxes are pledged and set aside for the payment of the Series 2019 Special Tax Bonds pursuant to the terms of the Fiscal Agent Agreement.

The Series 2019 Special Tax Bonds and interest thereon are not payable from the general fund of the District or the School District. Except with respect to the Net Taxes, neither the credit nor the taxing power of the District or the School District is pledged for the payment of the Series 2019 Special Tax Bonds or interest thereon, and no Owner of the Series 2019 Special Tax Bonds may compel the exercise of the taxing power by the District (except with respect to the Net Taxes) or the School District or the forfeiture of any of their property. The principal of and interest on the Series 2019 Special Tax Bonds, and premiums, if any, upon the redemption of any thereof, are not a debt of the District or the School District, the State of California nor any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Series 2019 Special Tax Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the District or the School District, except the Net Taxes which are, under the terms of the Fiscal Agent Agreement, pledged and set aside for the payment of the Series 2019 Special Tax Bonds and interest thereon. Neither the members of the Legislative Body or the Board nor any Persons executing the Series 2019 Special Tax Bonds are personally liable on the Series 2019 Special Tax Bonds by reason of their issuance (see “INTRODUCTION,” “SECURITY FOR THE BONDS – General” and “SPECIAL RISK FACTORS – Limited Obligations” in the Official Statement for further information).

Equality of Bonds; Pledge of Net Taxes. Pursuant to the Act and the Fiscal Agent Agreement, the Series 2019 Special Tax Bonds shall be equally payable from the Net Taxes without priority for number, date of the Series 2019 Special Tax Bonds, date of sale, date of execution or date of delivery, and the payment of the interest on and principal of the Series 2019 Special Tax Bonds and any premiums upon the redemption thereof shall be exclusively paid from the Net Taxes and amounts held in certain funds and accounts created under the Fiscal Agent Agreement as specified therein. All of the Net Taxes are pledged and set aside by the Fiscal Agent Agreement for the payment of the Series 2019 Special Tax Bonds, and such Net Taxes and any interest earned on the Net Taxes shall constitute pledged funds for the payment of the interest on, principal of and premium, if any, on the Series 2019 Special Tax Bonds and so long as any of the Series 2019 Special Tax Bonds or interest thereon are unpaid, the Net Taxes and

interest thereon shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement or any Supplement, and shall be held for the benefit of the Bondowners and shall be applied pursuant to the Fiscal Agent Agreement, or to the Fiscal Agent Agreement as modified pursuant to provisions therein. Notwithstanding any provision contained in the Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Administrative Expense Fund, the Residual Fund and the Rebate Fund shall no longer be considered to be pledged to the Series 2019 Special Tax Bonds and the Administrative Expense Fund, the Construction Fund (and its accounts), the Residual Fund and the Rebate Fund shall not be construed as trust funds held for the benefit of the Bondowners.

In the event that the Fiscal Agent lacks sufficient amounts to make timely payment of principal and interest and premium upon redemption, if any, on the Series 2019 Special Tax Bonds when due, such principal of and interest and premium on the Series 2019 Special Tax Bonds shall be paid from available amounts held by the Fiscal Agent in the Special Tax Fund (and its accounts), Bond Fund, Reserve Fund or Redemption Fund under the Fiscal Agent Agreement (not including those amounts deposited in the Construction Fund (and its accounts), the Administrative Expense Fund, the Residual Fund and the Rebate Fund) in accordance with such terms without preference or priority of interest over principal or principal over interest, or of any installment of principal or interest over any other installment of principal or interest, ratably to the aggregate amount of such principal and interest (see "SECURITY FOR THE BONDS" in the Official Statement for further information).

Nothing in the Fiscal Agent Agreement, or any Supplement, shall preclude the redemption of any Series 2019 Special Tax Bonds subject to call and redemption prior to maturity and payment of the Series 2019 Special Tax Bonds from proceeds of refunding bonds issued under the Act, as the same now exists or is later amended, or under any other law of the State.

**Funds and Accounts**

The Fiscal Agent Agreement creates specified funds, accounts and subaccounts to be maintained by the Fiscal Agent for specified purposes:

Special Tax Fund. The Special Taxes and other amounts constituting Gross Taxes collected by the District shall be transferred (exclusive of Prepaid Special Taxes which shall be deposited into the Prepayment Account of the Special Tax Fund) no later than 10 days after receipt thereof, to the Fiscal Agent and shall be held in the Special Tax Fund for the benefit of the District and the Bondowners (exclusive of the Administrative Expense Requirement, as set forth below) and shall, exclusive of the Prepaid Special Taxes, be transferred from the Special Tax Fund in the following order of priority:

(a) To the Administrative Expense Fund, an amount equal to the Administrative Expense Requirement.

(b) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Series 2019 Special Tax Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Series 2019 Special Tax Bonds as the same become due.

(c) To the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Series 2019 Special Tax Bonds during the current Bond Year.

(d) To the Sinking Fund Redemption Account of the Redemption Fund an amount up to the amount needed to make the Mandatory Sinking Payments due on the Series 2019 Special Tax Bonds which are Term Bonds, if any, during the current Bond Year.

(e) To the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement.

(f) To the extent that Administrative Expenses are not fully satisfied in (a) above, to the Administrative Expense Fund in the amount(s) required to bring the balance therein to the amount identified by the District to the Fiscal Agent to meet such additional Administrative Expenses (over and above the Administrative Expense Requirement) in the coming Fiscal Year, or Administrative Expenses from a prior Fiscal Year which remain unpaid.

(g) To the Redemption Fund, the amount, if any, that the District directs the Fiscal Agent to deposit pursuant to the provisions of the Fiscal Agent Agreement.

(h) Any remaining Special Taxes and other amounts constituting Net Taxes shall remain in the Special Tax Fund subject to the provisions of (i), below.

(i) Any remaining Special Taxes (i) and other amounts constituting Net Taxes, if any, shall remain in the Special Tax Fund until the end of the Bond Year. At the end of the Bond Year any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Series 2019 Special Tax Bonds (including payment of Mandatory Sinking Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (e), above, or to pay current or pending Administrative Expenses as provided for in (a) and (f) above, shall, be retained in the Special Tax Fund and applied to the purposes set forth in (a)-(g) above in the next following Bond Year until such time as the District provides to the Fiscal Agent a certification, which shall be confirmed by a special tax consultant to the District, that: (i) the Special Taxes levied on Developed Property are equal to or greater than the amount needed to satisfy the requirements of (a)-(e), above, in such Bond Year; (ii) the Administrative Expense Requirement of the District in such Bond Year has been, or will be, satisfied; and (iii) no Special Taxes are being levied on Undeveloped Property. Upon making such certification, and following the end of the corresponding Bond Year, any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Series 2019 Special Tax Bonds (including payment of Mandatory Sinking Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (e), above, or to pay current or pending Administrative Expenses as provided for in (a) and (f) above, shall, without further action by any party, be transferred by the Fiscal Agent on September 2 of each such year into the Residual Fund, which funds shall thereafter be used in accordance with the Fiscal Agent Agreement and shall be free and clear of any lien thereon. The Fiscal Agent shall promptly confirm the amount of such transfer(s) in to Residual Fund in writing to the District. **Moneys deposited into, or held within, the Residual Fund are not pledged to the payment of principal, interest or premiums on the Series 2019 Special Tax Bonds.** Any funds which are required to cure any such delinquency shall be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.



At the date of the redemption, defeasance or maturity of the last Series 2019 Special Tax Bond and after all principal and interest then due on any Series 2019 Special Tax Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, moneys in the Special Tax Fund will be transferred to the District by the Fiscal Agent and may be used by the District for any lawful purpose. Funds in the Special Tax Fund shall be invested in accordance with the provisions of the Fiscal Agent Agreement. Investment earnings on amounts in the Special Tax Fund, if any, shall be retained therein (see “SECURITY FOR THE BONDS – Special Tax Fund” in the Official Statement for further information).

Prepayment Account of the Special Tax Fund. Prepaid Special Taxes collected by the District (net of any costs of collection) shall be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent; and the District shall direct the Fiscal Agent to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund (which the Fiscal Agent shall then establish). The Prepaid Special Taxes shall be held in the Prepayment Account for the benefit of the Series 2019 Special Tax Bonds and shall be transferred by the Fiscal Agent to the Mandatory Redemption Account of the Redemption Fund to call Series 2019 Special Tax Bonds on the next Interest Payment Date for which notice can be given in accordance with the special mandatory redemption provisions as set forth in the Fiscal Agent Agreement. The Prepaid Special Taxes shall be transferred to the Mandatory Redemption Account and applied to call Series 2019 Special Tax Bonds as set out in the Fiscal Agent Agreement. Moneys representing the Prepaid Special Taxes shall be invested in accordance with the terms of the Fiscal Agent Agreement. Investment earnings on amounts in the Prepayment Account not needed to redeem the Series 2019 Special Tax Bonds pursuant to the special mandatory redemption provisions of the Fiscal Agent Agreement shall be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to the Mandatory Redemption Account of the Redemption Fund. See “THE BONDS – Redemption” in the Official Statement.

Administrative Expense Fund. Upon receipt of Gross Taxes the Fiscal Agent shall transfer from the Special Tax Fund to the Administrative Expense Fund, from time to time, the Administrative Expense Requirement, and any amount(s) that the District has determined and of which the District has notified the Fiscal Agent of pursuant to the provisions of the Fiscal Agent Agreement. The Administrative Expense Requirement, and the deposit of funds into the Administrative Expense Fund, shall be subject to the provisions and priorities set forth in the Fiscal Agent Agreement. Upon receipt of a duly executed payment request provided for under the provisions of the Fiscal Agent Agreement, the Fiscal Agent shall pay Administrative Expenses from amounts in the Administrative Expense Fund, directly to the contractor or such other Person, corporation or entity designated as the payee on such form, which payee may include the District, or School District, or shall reimburse the District, or School District, for Administrative Expenses paid by the District, or School District, as applicable, from such amounts. Moneys in the Administrative Expense Fund shall not be construed as a trust fund for the benefit of the Bondowners and are not pledged for payment of the principal of, or interest or premium on, the Bonds, and are not subject to any Bondowners’ lien. Moneys in the Administrative Expense Fund shall be invested in accordance with the terms of the Fiscal Agent Agreement. Investment Earnings on amounts in the Administrative Expense Fund, if any, shall be retained therein (see “SECURITY FOR THE BONDS – Administrative Expense Fund” in the Official Statement).

Bond Fund. The Bond Fund (in which there is established an Interest Account and a Principal Account), is used to disperse payments of principal and interest to the Bondowners on each respective Interest Payment Date. Two Business Days prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund, or the Reserve Fund in the event that

sufficient moneys are unavailable in the Special Tax Fund, and deposit in the Principal Account and the Interest Account of the Bond Fund an amount equal to all of the principal and all of the interest due and payable on Series 2019 Special Tax Bonds on the ensuing Interest Payment Date, less amounts on hand in the Bond Fund available to pay principal and/or interest on such Series 2019 Special Tax Bonds. Notwithstanding the foregoing, amounts in the Bond Fund resulting from transfers from the Construction Fund pursuant to the Fiscal Agent Agreement shall be used to pay the principal of and interest on such Series 2019 Special Tax Bonds prior to the use of any other amounts in the Bond Fund for such purpose. The Fiscal Agent shall apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Series 2019 Special Tax Bonds on each Interest Payment Date

Funds held in the Bond Fund shall be invested in accordance with the Fiscal Agent Agreement. All investment earnings and profits resulting from such investment shall be retained in the accounts established for the Series 2019 Special Tax Bonds in the Bond Fund and used to pay principal of and interest on the Series 2019 Special Tax Bonds. Upon final maturity of the Series 2019 Special Tax Bonds and the payment of all principal of and interest on the Series 2019 Special Tax Bonds, any moneys remaining in the Bond Fund shall be transferred to the Special Tax Fund.

Within the Interest Account of the Bond Fund, there is established a Capitalized Interest Subaccount. The Fiscal Agent shall, on the Delivery Date, deposit funds, as specified in the Fiscal Agent Agreement, into the Capitalized Interest Subaccount. On March 1, 2020, September 1, 2020, March 1, 2021 and September 1, 2021 (interest to be funded to approximately September 1, 2021), the Fiscal Agent shall withdraw moneys from the Capitalized Interest Subaccount in an amount equal to the corresponding interest payment due on the Series 2019 Special Tax Bonds (or the amount then held in the Capitalized Interest Subaccount if less than the interest payment due) and shall cause such amount to be deposited in the Interest Account of the Bond Fund for application on such Interest Payment Date. On September 2, 2021, the Fiscal Agent shall transfer any amounts then remaining in the Capitalized Interest Subaccount into the Interest Account of the Bond Fund and shall thereupon close the Capitalized Interest Subaccount. Upon transfer of said amounts to the Interest Account, said amounts shall be applied to payment of interest becoming due on the Series 2019 Special Tax Bonds for application on the next Interest Payment Date as provided in the Fiscal Agent Agreement. Upon such transfer, the Fiscal Agent shall provide written notice to the District of the amount of such transfer. In the event that all moneys in the Capitalized Interest Subaccount are expended prior to September 1, 2021, the Fiscal Agent shall close the Capitalized Interest Subaccount and notify the District, in writing, of such closure. Moneys in the Capitalized Interest Subaccount shall be invested in accordance with the Fiscal Agent Agreement and earnings thereon shall be retained in such Subaccount. See "SECURITY FOR THE BONDS – Bond Fund" in the Official Statement for further information.

Reserve Fund. There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding the foregoing, in the event of a redemption or partial defeasance of the Series 2019 Special Tax Bonds, the Reserve Requirement shall thereafter be determined by the District and communicated to the Fiscal Agent in writing and any funds in excess of such predetermined Reserve Requirement shall be utilized as set forth in the Fiscal Agent Agreement. If Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original aggregate principal of the Bonds, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement) will be applied to the redemption of the Bonds as provided in the Fiscal Agent Agreement.

Except as provided in the following paragraph with respect to certain investment earnings, moneys in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Mandatory Sinking Payments, and interest and premium on Series 2019 Special Tax Bonds when due to the extent that moneys in the Interest Account and the Principal Account of the Bond Fund or moneys in the Sinking Fund Redemption Account, as applicable, are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the District; (iii) making any transfers to the Bond Fund or Redemption Fund in connection with prepayments of the Special Taxes; (iv) paying the principal and interest due on Series 2019 Special Tax Bonds in the final Bond Year; and (v) application to the defeasance of Series 2019 Special Tax Bonds in accordance with the Fiscal Agent Agreement. If the amounts in the Interest Account or the Principal Account of the Bond Fund and the Sinking Fund Redemption Account of the Redemption Fund, as provided for in the Fiscal Agent Agreement, are insufficient to pay the principal of, including Mandatory Sinking Payments, or interest on the Series 2019 Special Tax Bonds when due, the Fiscal Agent shall, one Business Day prior to the corresponding Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, moneys necessary for such purpose. Following any transfer to the Interest Account or the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, the Fiscal Agent shall notify the District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the District shall include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted maximum Special Tax rates.

Funds held in the Reserve Fund shall be invested in accordance with the terms of the Fiscal Agent Agreement. Any moneys in the Reserve Fund in excess of the Reserve Requirement shall be withdrawn by the Fiscal Agent two (2) Business Days prior to each Interest Payment Date and deposited into the Interest Account of the Bond Fund. The Fiscal Agent shall transfer to the Rebate Fund Excess Investment Earnings from the Reserve Fund earnings upon written direction of the District pursuant to the provisions of the Fiscal Agent Agreement.

Notwithstanding anything in the Fiscal Agent Agreement to the contrary, the Fiscal Agent shall transfer to the Reserve Fund, from available moneys in the Special Tax Fund, the amount needed to restore the Reserve Fund to the Reserve Requirement as specified in the Fiscal Agent Agreement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Fund only if such amounts will not be needed to make the deposit required to be made to the Interest Account and the Principal Account of the Bond Fund or the Sinking Fund Redemption Account of the Redemption Fund for the next Interest Payment Date. See “SECURITY FOR THE BONDS – Reserve Fund” in the Official Statement and “**Funds and Accounts** – Special Tax Fund” above for more information.

**Redemption Fund.** The Redemption Fund is established pursuant to the provisions of the Fiscal Agent Agreement and includes the Sinking Fund Redemption Account, an Optional Redemption Account (as and when necessary) and a Mandatory Redemption Account (as and when necessary). Each of the redemption accounts is used for the temporary retention of moneys allocated to the redemption of Series 2019 Special Tax Bonds corresponding to that account. Moneys in each such account shall be applied solely for such redemption purpose (see “THE BONDS – Redemption” in the Official Statement).

Construction Fund. The Fiscal Agent Agreement establishes the Construction Fund, in which there are established the School Facilities Account and the Costs of Issuance Account. Funds deposited in the Construction Fund, and the accounts thereof, are not pledged to the payment of principal or interest on the Series 2019 Special Tax Bonds.

A portion of the proceeds of the Series 2019 Special Tax Bonds will be deposited in the School Facilities Account and into the Costs of Issuance Account (see “FINANCING PLAN – Estimated Sources and Uses” in the Official Statement for further information).

Moneys in the School Facilities Account, together with interest earnings thereon, will be utilized to pay for Project Costs relating to the acquisition and construction of School Facilities as set forth in the Fiscal Agent Agreement (see “INTRODUCTION – General,” and “FINANCING PLAN” in the Official Statement for further information).

Upon the Completion Date, funds held in the School Facilities Account of the Construction Fund will be utilized as set out in the Fiscal Agent Agreement and such account shall thereafter be closed by the Fiscal Agent.

Moneys deposited into the Costs of Issuance Account will be expended at the direction of the District for payment of Costs of Issuance as further set forth in the Fiscal Agent Agreement.

Rebate Fund. The Fiscal Agent Agreement provides for the creation of the Rebate Fund when and as required to make arbitrage rebate payments as required under the terms of the Fiscal Agent Agreement and the Tax Certificate in order to comply with the requirements of the Code and the Regulations. Funds deposited into the Rebate Fund are not available to pay principal and interest on the Bonds.

Letter of Credit Fund. As a condition precedent to issuance of the Bonds, the District shall cause the Developer to provide one or more Letter(s) of Credit or Cash Deposit(s), as applicable, in the corresponding Stated Amount, naming the Fiscal Agent as beneficiary. The Fiscal Agent shall establish a separate account for any Letter(s) of Credit or Cash Deposit(s) provided by the Developer (or LC Developer, as the case may be). Any Letter(s) of Credit or Cash Deposit(s) provided by each Developer (or LC Developer as the case may be) shall secure payment only of Special Taxes levied on the Non-Homeowner Property in the District secured by such Letter(s) of Credit or Cash Deposit(s), as determined by reference to the terms of the Fiscal Agent Agreement. The initial Letter(s) of Credit or Cash Deposit(s) provided by each Developer secures the Special Taxes levied on Non-Homeowner Property as described in the Fiscal Agent Agreement.

Notwithstanding anything in the Fiscal Agent Agreement to the contrary, the following two conditions precedent (“Cash Deposit(s) Conditions”) apply to all instances where a Cash Deposit(s) will be provided by an LC Developer, whether in partial or total satisfaction of the requirements under the Fiscal Agent Agreement, whether for replacement of a prior Letter of Credit(s). The Cash Deposit(s) Conditions, which must both be satisfied before the Cash Deposit(s) will be deemed to be in compliance with the requirements of the Fiscal Agent Agreement, are: (i) the satisfaction of the requirements of the Fiscal Agent Agreement with a Cash Deposit(s) in lieu of a Letter(s) of Credit must receive the prior written approval of a District Representative, such approval to be at the sole discretion of the District; and (ii) the deposit of the Cash Deposit(s) with the Fiscal Agent by the applicable owner of the property liened by the Special Taxes secured by the Cash Deposit(s) for a period of not less than 91 days. The foregoing Cash Deposit(s) Conditions apply in every instance where a Cash Deposit(s) is being made by

an LC Developer, whether such requirement is specifically stated in any of the references to “Cash Deposit(s)” in the Fiscal Agent Agreement or not.

A Letter(s) of Credit or Cash Deposit(s) shall be in effect until individual homeowners are record owners of 60% or more of the total of all residential assessor parcels (“Parcels”) within the District. For purposes of the Fiscal Agent Agreement the total number of Parcels within the District shall be determined by reference to all subdivision maps recorded, or to be recorded, covering the territory within the boundaries of the District. On or before each July 1, commencing July 1, 2020 (or, on a date at least 30 but not more than 45 days prior to the expiration of any existing Letter(s) of Credit), the District shall determine the number of Parcels owned by individual homeowners in the District. If fewer than 60% of the Parcels within the District are owned by individual homeowners, the District shall certify to the Fiscal Agent: (A) the number of such Parcels owned by individual homeowners within the District and the number of such Parcels owned by each LC Developer, and (B) the Stated Amount of the corresponding Letter(s) of Credit or Cash Deposit(s) required to be in effect for each LC Developer.

In the event fewer than 60% of the Parcels within the District are owned by individual homeowners with record title as of such July 1 (or as of a date at least 30 but not more than 45 days prior to the expiration of any existing Letter(s) of Credit), then each LC Developer shall provide to the Fiscal Agent, no later than the following August 1 (or a date 15 days prior to the expiration date of any existing Letter(s) of Credit), (i) an irrevocable Letter(s) of Credit in the revised Stated Amount, (ii) an extension of any existing Letter(s) of Credit in an amount equal to the revised Stated Amount, (iii) a Cash Deposit(s) satisfying the Cash Deposit(s) Conditions in the amount of the revised Stated Amount (subject to the conditions stated above), or (iv) some combination of a Cash Deposit(s) satisfying the Cash Deposit(s) Conditions and a Letter(s) of Credit equaling the revised Stated Amount (for each LC Developer, the “Revised Letter(s) of Credit/Cash Deposit(s)”).

If a Letter of Credit is currently in place for an LC Developer, and if such LC Developer is required to post a Revised Letter(s) of Credit/Cash Deposit(s), and in the event the Fiscal Agent has not received the required Revised Letter(s) of Credit/Cash Deposit(s) that satisfies the Cash Deposit Conditions by the applicable LC Developer by said August 1 (or a date 15 days prior to the applicable expiration date of the Letter(s) of Credit), the Fiscal Agent shall immediately notify the District thereof, and upon the written direction of an Authorized Representative, immediately, with no further authorization or instruction, draw upon the Letter(s) of Credit that is not being replaced with the Revised Letter(s) of Credit/Cash Deposit(s) in the full Stated Amount. The Fiscal Agent shall deposit the proceeds of such draw into the corresponding account of the Letter of Credit Fund for use as described below.

If a Cash Deposit is currently in place for an LC Developer, and if such LC Developer is required to post a Revised Letter(s) of Credit/Cash Deposit(s), and in the event the Fiscal Agent does not receive the required Revised Letter(s) of Credit/Cash Deposit(s) by an LC Developer by such August 1 (**or a date 15 days prior to the applicable expiration date of the Letter(s) of Credit**), the District shall not return any Cash Deposit(s) to the applicable LC Developer until the amount on deposit in the Letter of Credit Fund for such LC Developer is equal to the Revised Letter(s) of Credit/Cash Deposit(s) and in the case of a Cash Deposit(s), the Cash Deposit Conditions are satisfied.

If the recalculation of the Stated Amount for any Letter (s) of Credit or Cash Deposit(s) determines that the recalculated Stated Amount is less than the amount theretofore in effect, and all other conditions have been satisfied as stated in the Fiscal Agent Agreement, then the District

shall direct the Fiscal Agent to execute and deliver the appropriate annex to the applicable Letter(s) of Credit that will cause a reduction in the Stated Amount of such Letter(s) of Credit, and/or refund to the applicable LC Developer a portion of a Cash Deposit(s) so the Cash Deposit(s) equals the revised Stated Amount, as applicable.

When renewing or extending a Letter(s) of Credit, which shall be for a term no less than 12 months, each LC Developer shall request that the District calculate the amount (the applicable Stated Amount) of the Letter(s) of Credit for the proposed term of the renewed or extended Letter(s) of Credit, which calculation shall include amounts to cover applicable Special Tax projections for the applicable Fiscal Year(s).

If the District determines at any time that 60% or more of the Parcels within the District are owned by individual homeowners, then it shall so certify in writing to the Fiscal Agent and direct the Fiscal Agent to release the Letter(s) of Credit or Cash Deposit(s) to the corresponding Letter of Credit Bank(s) or the applicable LC Developer, as the case may be.

Upon the release of each such Letter(s) of Credit or Cash Deposit(s) pursuant to the terms hereof and thereof, and upon the expenditure, pursuant to the terms hereof, of all funds from the corresponding account in the Letter of Credit Fund, the Fiscal Agent shall notify the District of such condition, and/or the Fiscal Agent shall close the respective account, and, as applicable, the Letter of Credit Fund.

If at any time, a Developer ("Land Seller") sells Parcels to another merchant builder (each a "Land Purchaser"), the Land Purchaser shall provide a Letter(s) of Credit or Cash Deposit(s), which shall meet the Cash Deposit Conditions, or a combination thereof, in the Stated Amount applicable to the Parcels purchased by the Land Purchaser. Upon the provision of the Cash Deposit(s) or the Letter(s) of Credit by the Land Purchaser, and provided the Cash Deposit(s) Conditions are met if applicable, the District shall (i) direct the Fiscal Agent to execute and deliver the appropriate annex to the existing Letter(s) of Credit that will cause a reduction in the Stated Amount of the Land Seller's Letter(s) of Credit by the amount of the Land Purchaser's Letter(s) of Credit or Cash Deposit(s) and/or refund to the applicable Developer an amount of any Cash Deposit(s) equal to the amount of the Land Purchaser's Letter(s) of Credit or Cash Deposit(s); and (ii) amend the Exhibit of the Fiscal Agent Agreement to reflect the addition of Letter(s) of Credit or Cash Deposit(s) of the Land Purchaser securing the purchased Parcels and the elimination of the purchased Parcels from the security of the Land Seller's Letter(s) of Credit or Cash Deposit(s). All Parcels sold to individual homeowners of record shall be removed from the listing contained in the Fiscal Agent Agreement and shall no longer be secured by any Letter of Credit or Cash Deposit. All of the terms set forth in the Fiscal Agent Agreement, except for subsection (b), shall apply to the Letter(s) of Credit and Cash Deposit(s) provided by a Land Purchaser. If, for any reason, the Land Purchaser does not post the appropriate Letter(s) of Credit or Cash Deposit(s) for the Parcels acquired as required, the Letter(s) of Credit or Cash Deposit(s) of the Land Seller securing the Parcels acquired shall continue to secure the Parcels acquired until such time as the Land Purchaser posts the appropriate Letter(s) of Credit or the Cash Deposit(s) satisfy the Cash Deposit(s) Conditions. Any Letter(s) of Credit or Cash Deposit(s) provided by a Land Purchaser shall secure payment only of Special Taxes levied on the Non-Homeowner Property in the District secured by such Letter(s) of Credit or Cash Deposit(s), as determined by reference to the listing contained in the Fiscal Agent Agreement. The provisions of this subsection (b) shall also apply to any sale of Parcels from the Land Purchaser to another land purchaser that is not an individual homeowner.

Deposits into the Letter of Credit Fund; Transfers from the Letter of Credit Fund; Final Release. Five Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine whether amounts on deposit in the Special Tax Fund, after deducting Administrative Expenses authorized to be transferred to the Administrative Expense Fund, and the Bond Fund on that Interest Payment Date, will be sufficient to pay principal of and interest on the Bonds that will be due and payable on such Interest Payment Date and shall notify the District of any deficiency. If amounts in the Special Tax Fund and the Bond Fund will be insufficient to pay principal of and interest on the Bonds, the Fiscal Agent shall immediately notify the District, in writing, of such deficiency, and if such insufficiency is attributable to a delinquency in the payment of Special Taxes for Non-Homeowner Property secured by an LC Developer's Letter(s) of Credit or Cash Deposit(s), as determined by the District by reference to the listing contained in the Fiscal Agent Agreement, upon the written direction of a District Representative (and prior to any withdrawals from the Reserve Fund permitted under the terms of the Fiscal Agent Agreement), the Fiscal Agent shall draw upon the applicable Letter(s) of Credit or Cash Deposit(s); provided, however, that only the Letter(s) of Credit or Cash Deposit(s) which secure the delinquent Non-Homeowner Property (as determined by reference to the listing contained in the Fiscal Agent Agreement) may be drawn upon, and the amount of such draw (as set forth in said written direction of the Authorized Representative) shall be no greater than the amount of the delinquent Special Taxes levied on the Non-Homeowner Property secured by the applicable LC Developer's Letter(s) of Credit or Cash Deposit(s) as shown on the listing contained in the Fiscal Agent Agreement. The Letter(s) of Credit or Cash Deposit(s) may not be drawn upon for the delinquency of any Parcels owned by individual homeowners.

The Fiscal Agent shall deposit the proceeds of any such draw upon a Letter(s) of Credit or Cash Deposit(s) into the corresponding account of the Letter of Credit Fund one Business Day prior to the Interest Payment Date, and prior to any transfers from the Reserve Fund, transfer such amounts from the account of the Letter of Credit Fund to the corresponding Account(s) of the Bond Fund.

The District shall have no obligation to reimburse the Letter of Credit Bank(s) for any such draw on any Letter(s) of Credit, or, as applicable, each LC Developer for any Cash Deposit(s), except from: (i) any proceeds of the draw on any Letter(s) of Credit and any interest earnings thereon not required to pay debt service on the Bonds on such Interest Payment Date, which proceeds of any Letter(s) of Credit provided by an LC Developer shall be paid only to such LC Developer; and (ii) delinquent Special Taxes subsequently received by the District (whether by payment or foreclosure) corresponding to the delinquent Non-Homeowner Property, which delinquent Special Taxes paid for such delinquent Non-Homeowner Property secured by an LC Developer's Letter(s) of Credit or Cash Deposit(s) shall be paid to the applicable LC Developer's Letter of Credit Bank (or its designee) or, in the case of a Cash Deposit that was drawn upon, deposited back into the applicable account of the Letter of Credit Fund. Draws upon any Letter(s) of Credit or Cash Deposit(s), as the case may be, shall not bar or otherwise preclude the District from taking any actions or enforcing any remedies, including but not limited to foreclosure actions, against the corresponding property within the District for satisfaction of unpaid Special Taxes.

In the event the Fiscal Agent draws upon a Letter(s) of Credit or Cash Deposit(s), as the case may be, as described above, the Fiscal Agent shall immediately deposit the proceeds of such draw into the corresponding account (if any) of the Letter of Credit Fund and, pending any transfer to the Bond Fund for the purposes described in the Fiscal Agent Agreement, such proceeds shall be invested and reinvested by the Fiscal Agent in Authorized Investments at the written instruction of a District Representative. At no time shall the proceeds of a draw on any Letter(s) of Credit or Cash Deposit(s), as the case may be, held in the accounts of the Letter of

Credit Fund be invested by the Fiscal Agent at a yield exceeding the Yield on the Bonds. Investment earnings and profits from such investments shall be retained in the corresponding account(s) of the Letter of Credit Fund.

In the event that an LC Developer provides a Cash Deposit in lieu of a Letter(s) of Credit, such monies shall be deposited into the corresponding account of the Letter of Credit Fund and invested by the Fiscal Agent at the direction of the District in Authorized Investments at a rate not in excess of the Yield on the Bonds. On or after July 1 of each year, commencing July, 2019, any earnings on monies held in an account of the Letter of Credit Fund in excess of the corresponding Stated Amount shall, upon the written request of the applicable LC Developer, approved in writing by the District, be mailed by the Fiscal Agent by check to such LC Developer provided that (i) such earnings are not required to pay principal or interest on the Bonds on the following Interest Payment Date as a result of delinquencies in the payment of Special Taxes on Non-Homeowner Property secured by the applicable LC Developer's Letter(s) of Credit or Cash Deposit(s) and (ii) the District confirms that there are no delinquent Special Taxes on Non-Homeowner Property secured by the applicable LC Developer's Letter(s) of Credit or Cash Deposit(s) then payable.

If at any time an Authorized Representative provides written certification to the Fiscal Agent that (i) 60% or more of the Parcels within the District are owned by individual homeowners with record title, (ii) such monies are not required to pay principal or interest on the Bonds on the following Interest Payment Date as a result of delinquencies in the payment of Special Taxes for the Non-Homeowner Property secured by a LC Developer's Letter(s) of Credit or Cash Deposit(s), and (iii) all the Special Taxes then payable on the Non-Homeowner Property secured by such LC Developer's Letter(s) of Credit or Cash Deposit(s) are not delinquent, then the District shall provide written direction to the Fiscal Agent, and the Fiscal Agent shall, promptly return all (or such portion of the) amounts on deposit in the Letter of Credit Fund to applicable LC Developer, or Letter of Credit Bank(s), as the case may be. The delinquency on Non-Homeowner Property secured by Letter(s) of Credit or Cash Deposit(s) of a LC Developer shall not prevent the release of amounts on deposit for Non-Homeowner Property secured by other LC Developer's Letter(s) of Credit or Cash Deposit(s), provided that the delinquent Non-Homeowner Property is not owned by the LC Developer posting the other Letter(s) of Credit or Cash Deposit(s) securing such amounts to be otherwise released.

In the event any Letter of Credit Bank(s) wrongfully refuses to honor any drawing made on any Letter(s) of Credit, the District, on behalf of the Owners of the Bonds, shall immediately bring an action and pursue any remedy available at law or in equity for the purpose of compelling the corresponding Letter of Credit Bank(s) to honor such drawing and to enforce the provisions of the corresponding Letter(s) of Credit; provided, however, that the foregoing shall not be construed to require the District to expend any funds other than monies in the Administrative Expense Fund available for such purposes.

In the event either party proposes to revise, amend, or otherwise change any term of the Fiscal Agent Agreement concerning the Letter of Credit Fund that could adversely affect each Developer's obligations under the Fiscal Agent Agreement, the District shall obtain each Developer's prior written consent prior to such change, which consent shall not be unreasonably withheld. See "INTRODUCTION – Letters of Credit" and "SECURITY FOR THE BONDS – Letters of Credit" in the Official Statement.

Residual Fund. The Residual Fund shall be funded from surplus Special Taxes transferred to the Residual Fund from the Special Tax Fund pursuant to the provisions of the Fiscal Agent Agreement.



Moneys in the Residual Fund may be used by the District for (i) acquisition and/or construction of School Facilities; (ii) to make deposits to the Rebate Fund under the Fiscal Agent Agreement for the purposes of paying Rebatable Arbitrage (as defined in the Tax Certificate) as and when such is due in accordance with the Tax Certificate and the Regulations; (iii) at the option of the District, for the optional redemption of any of the Bonds under the provisions of the Fiscal Agent Agreement; (iv) to fund Administrative Expenses; or (v) for any lawful purpose as directed by the District. Moneys on deposit in the Residual Fund are not pledged for payment of principal of, or interest or premium(s) on, the Bonds, and are not subject to any Bondowner's lien.

Moneys in the Residual Fund shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits from such investment(s) shall remain therein and be applied in the manner provided in the Fiscal Agent Agreement. Interest earnings and profits or amounts in the Residual Fund are not subject to rebate requirements.

Investments. Investment earnings on funds held in the Reserve Fund, if any, in excess of the Reserve Requirement shall be transferred to the Interest Account of the Bond Fund on a semi-annual basis as further described in the Fiscal Agent Agreement. Interest income on other funds and accounts as set out in the Fiscal Agent Agreement will be retained in the account or fund in which it is earned and shall be applied for the purpose for which such account or fund was established except as otherwise specified in the Fiscal Agent Agreement. The Fiscal Agent is required to invest and reinvest all moneys held the accounts and funds established under the Fiscal Agent Agreement (in accordance with written directives from a representative of the District) in Authorized Investments and as specified in the Fiscal Agent Agreement (see "SECURITY FOR THE BONDS – Authorized Investments" in the Official Statement for further information).

**Redemption of Bonds**

The Series 2019 Special Tax Bonds may be redeemed prior to maturity, in whole or in part, at the option of the District on the terms set out in the Fiscal Agent Agreement. The Series 2019 Special Tax Bonds which are Term Bonds shall be redeemed as set out in the Fiscal Agent Agreement. The Series 2019 Special Tax Bonds are subject to redemption prior to maturity from prepayments of Special Taxes as set out in the Fiscal Agent Agreement.

The Fiscal Agent shall select the Series 2019 Special Tax Bonds subject to redemption in accordance with the terms set out in the Fiscal Agent Agreement. See "THE BONDS – Redemption" in the Official Statement for further information.

Notice of Redemption. When the Fiscal Agent shall receive written notice from the District of its election to redeem Series 2019 Special Tax Bonds, or when the Fiscal Agent is required to redeem Series 2019 Special Tax Bonds, the Fiscal Agent shall give notice, at the District's expense, in the name of the District of the redemption of such Series 2019 Special Tax Bonds. In such event, the District shall provide the Fiscal Agent with the form of the notice required to be delivered under the Fiscal Agent Agreement and the Fiscal Agent shall not be liable for any defect in such notice. Such notice shall be provided by the District to the Fiscal Agent at least five Business Days prior to the desired date(s) for provision of such notice by the Fiscal Agent as set out in the Fiscal Agent Agreement. Such notice of redemption shall: (a) specify the CUSIP® numbers and serial numbers of the Series 2019 Special Tax Bonds selected for redemption, except that where all the Series 2019 Special Tax Bonds or all Series 2019 Special Tax Bonds of a single maturity are subject to redemption, the serial numbers thereof need not be specified; (b)

state the original issue date, the interest rate and the maturity date of the Series 2019 Special Tax Bond selected for redemption; (c) state the date fixed for redemption; (d) state the redemption price; (e) state the place or places where the Series 2019 Special Tax Bonds are to be redeemed; and (f) in the case of Series 2019 Special Tax Bonds to be redeemed only in part, state the portion of such Series 2019 Special Tax Bond which is to be redeemed. Such notice shall further state that, on the date fixed for redemption, there shall become due and payable on each Series 2019 Special Tax Bond or portion thereof called for redemption the principal thereof, together with any premium, and interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue and be payable.

At least 20 days but no more than 60 days prior to the redemption date, the Fiscal Agent shall mail by first-class mail a copy of such notice, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Series 2019 Special Tax Bond of notice of such redemption shall not be a condition precedent thereto, and neither failure to receive such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Series 2019 Special Tax Bond, or the cessation of interest on the redemption date. A certificate by the Fiscal Agent that notice of such redemption has been given as provided in the Fiscal Agent Agreement shall be conclusive as against all parties, and it shall not be open to any Owner to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, notice of redemption shall also be given by the Fiscal Agent to the Information Services and Securities Depositories as set out below, but no defect in such notice nor any failure to give all or any portion of such notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

(1) Each notice of redemption given under the Fiscal Agent Agreement shall contain the information required above for an official notice of redemption plus (i) the date of issue of the Series 2019 Special Tax Bonds as originally issued; (ii) the rate of interest borne by each Series 2019 Special Tax Bond being redeemed; and (iii) any other descriptive information needed to identify accurately the Series 2019 Special Tax Bonds being redeemed.

(2) Each notice of redemption shall be sent at least 20 days before the redemption date to the Securities Depositories at such address as shall then be in effect, and to the Information Services, at such address as shall then be in effect.

Upon the payment of the redemption price of any Series 2019 Special Tax Bonds being redeemed, each check or other transfer of funds issued to a registered securities depository for such purpose shall bear the registration number identifying, by issue and maturity, or otherwise be identified to the satisfaction of such Securities Depository and the Fiscal Agent, the Series 2019 Special Tax Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Series 2019 Special Tax Bonds. Upon surrender of any Series 2019 Special Tax Bond to be redeemed in part only, the District shall execute and the Fiscal Agent shall authenticate and deliver to the Bondowner, at the expense of the District, a new Series 2019 Special Tax Bond or Series 2019 Special Tax Bonds of authorized denominations equal in aggregate principal amount and maturity to the unredeemed portion of the Series 2019 Special Tax Bond surrendered.

Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in the Fiscal Agent Agreement, and the amount necessary for the

redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (1) the Series 2019 Special Tax Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Fiscal Agent Agreement, anything in the Fiscal Agent Agreement, or in the Series 2019 Special Tax Bonds, to the contrary notwithstanding; (2) upon presentation and surrender thereof at the Principal Corporate Trust Office of the Fiscal Agent, or such other location as may be designated by the Fiscal Agent, such Series 2019 Special Tax Bond shall be redeemed at the said redemption price; (3) from and after the redemption date, the Series 2019 Special Tax Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Series 2019 Special Tax Bonds or portions thereof shall cease to bear further interest; and (4) from and after the date fixed for redemption, no Owner of any of the Series 2019 Special Tax Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Fiscal Agent Agreement, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

**Covenants**

So long as any of the Series 2019 Special Tax Bonds issued under the Fiscal Agent Agreement are Outstanding and unpaid, the District has made the following covenants with the Owners, under the provisions of the Act and the Fiscal Agent Agreement and all Supplements (to be performed by the District or its authorized officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Series 2019 Special Tax Bonds; provided, however, that such covenants do not require the District to expend any funds or moneys other than the Net Taxes or any moneys deposited in the funds and accounts created under the terms of the Fiscal Agent Agreement and legally available therefor.

Covenant 1. Punctual Payment. The District will duly and punctually pay, or cause to be paid, the principal of and interest on every Series 2019 Special Tax Bond issued under the Fiscal Agent Agreement, together with the premium thereon, if any be payable, on the date, at the place and in the manner mentioned in the Series 2019 Special Tax Bonds and in accordance with the Fiscal Agent Agreement and any Supplement to the extent Net Taxes are available therefor, and that the payments into the Bond Fund and the Reserve Fund will be made, all in strict conformity with the terms of the Series 2019 Special Tax Bonds and the Fiscal Agent Agreement, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and any Supplement and of the Series 2019 Special Tax Bonds issued under the Fiscal Agent Agreement, and that time of such payment and performance is of the essence of the District's contract with the Bondowners.

Covenant 2. Levy and Collection of Special Taxes. Subject to the maximum Special Tax rates, the District will comply with all requirements of the Act so as to assure the timely collection of the Special Taxes, including, without limitation, the enforcement of delinquent Special Taxes.

On or before each June 1, commencing June 1, 2020, the Fiscal Agent shall provide a written notice to the District stating the amounts then on deposit in the various funds and accounts established by the Fiscal Agent Agreement as well as fees of the Fiscal Agent coming due during the next Fiscal Year. The receipt of such notice by the District shall in no way affect the obligations of the District under the following paragraphs. Upon receipt of a copy of such notice, the District shall communicate with the San Diego County Treasurer-Tax Collector or other appropriate official of the County of San Diego 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 District shall retain an Independent Financial Consultant to assist in the levy of the Special Taxes each Fiscal Year, in accordance with the Ordinance, such that the computation of the levy is complete before the final date on which the San Diego County Treasurer-Tax Collector will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, and approval by the Legislative Body, the District shall prepare or cause to be prepared, and shall transmit to the San Diego County Treasurer-Tax Collector, such data as the San Diego County Treasurer-Tax Collector requires to include the levy of the Special Taxes on the next secured tax roll.

The District shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on Outstanding Bonds becoming due and payable during the ensuing year including any necessary replenishment to, or expenditure from, the Reserve Fund for the Bonds, an amount equal to the Administrative Expense Requirement, reasonably anticipated delinquent Special Taxes (to the extent permitted by the Rate and Method) and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes.

The Special Taxes shall be payable and collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property; provided, the Legislative Body may provide for direct collection of the Special Taxes in certain circumstances.

In order to determine if there are delinquencies with respect to the payment of the Special Taxes, no later than March 1 and July 1 in each year (“reconciliation date”) commencing July 1, 2020, the District shall reconcile or cause to be reconciled the amount of Special Taxes levied to the amount of Special Taxes actually theretofore reported by the County as paid and received. No later than 45 days after the reconciliation date, commencing on the first reconciliation date in 2020 (March 1, 2020), the District shall send or cause to be sent a notice of delinquency to all property owners reported to be delinquent in the payment of the Special Taxes as of the reconciliation date.

The fees and expenses of the Independent Financial Consultant retained by the District to assist in computing the levy of the Special Taxes under the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received, as well as the costs and expenses of the District (including a charge for District staff time) in conducting its duties under the Fiscal Agent Agreement, shall be an Administrative Expense under the Fiscal Agent Agreement.

See “SECURITY FOR THE BONDS – Special Taxes,” “– Rate and Method of Apportionment of Special Tax,” “SPECIAL RISK FACTORS” in the Official Statement for further information.

Covenant 3. Commence Foreclosure Proceedings. Not later than August 1 of each Fiscal Year, the District will compare the amount of Special Taxes theretofore levied in the prior Fiscal Year to the amount of Special Taxes theretofore reported by the County as paid and received, and:

(A) Individual Delinquencies. If the District determines that any single parcel within the District is delinquent in the payment of all or a portion of five semi-annual installments of Special Taxes then the District shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the District as to each parcel that received the delinquency notification within 120 days of such determination, to the extent permissible under applicable law.

(B) Aggregate Delinquencies. If the District determines that (i) the total amount of delinquent Special Taxes for the prior Fiscal Year for the District (including the total of delinquencies under paragraph (A) above) exceeds 5% of the total Special Taxes due and payable for the prior Fiscal Year, and (ii) the Reserve Fund is less than the Reserve Requirement, the District shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 120 days of such determination against each parcel of land within the District that received the delinquency notification with a Special Tax delinquency, to the extent permissible under applicable law and shall thereafter diligently proceed with such foreclosure action(s) and/or proceedings in Superior Court to the extent permitted by law.

(C) Limiting Provision. Notwithstanding the foregoing, however, the District shall not be required to order, or take action upon, the commencement of foreclosure proceedings under subsections (A) and/or (B), above, if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the balance of funds in the Reserve Fund will fall below the Reserve Requirement and no draw has been made on the Reserve Fund, which has not been restored, such that the Reserve Fund shall be funded to at least the Reserve Requirement.

(D) Additional Limitations. Notwithstanding any of the foregoing, in certain instances the amount of a Special Tax delinquency on a particular parcel in relation to the cost of appropriate foreclosure proceedings may be such that the costs do not warrant the foreclosure proceedings costs. In such cases, foreclosure proceedings may be delayed by the District until there are sufficient Special Tax delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the cost of such foreclosure proceedings.

The net proceeds received following a judicial foreclosure sale of land within the District resulting from a property owner's failure to pay the Special Taxes when due are included within the Net Taxes pledged to the payment of principal of and interest on the Series 2019 Special Tax Bonds under the Fiscal Agent Agreement.

The District reserves the right to elect to accept payment from a property owner of at least the enrolled amount of the Special Taxes for a parcel(s) but less than the full amount of the penalties, interest, costs and attorneys' fees related to the Special Tax delinquency for such parcel(s). The Bondowners are deemed to have consented to the foregoing reserved right of the District, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary. The Bondowners, by their acceptance of the Series 2019 Special Tax Bonds, consent to such payment for such lesser amounts.

Further, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary, in connection with any judicial foreclosure proceeding related to delinquent Special Taxes:

(i) The District is expressly authorized by the Fiscal Agent Agreement to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act, or such lesser amount as determined under clause (ii) below or otherwise under Section 53356.6 of the Act.

(ii) The District may permit, in its sole and absolute discretion, 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 Bondowners. **The Bondowners, by their acceptance of the Series 2019 Special Tax Bonds, consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the District and the School District, and their respective officers and agents, from any liability in connection therewith.** If such sale for lesser amounts would result in less than full payment of principal of and interest on the Series 2019 Special Tax Bonds, the District will use its best efforts to seek approval of the Bondowners.

The Board has specifically delegated to the School District's Assistant Superintendent, Business Services, Executive Director, Finance, or their respective designee(s), all necessary authority in order to:

(a) pursue collection of all such Special Taxes pursuant to the provisions of such Covenant 3 and the terms and conditions of the Fiscal Agent Agreement;

(b) contract for such services as necessary for collection of such Special Taxes, including, but not limited to, legal services for any applicable foreclosure proceedings, the cost thereof to be borne by the District (subject to Board ratification of any expenditures which are not drawn from the Administrative Expense Fund) and the property owners that have failed to timely pay such Special Taxes, including all costs, interest, and penalties consistent with applicable law;

(c) file, or authorize to be filed, actions up to and including legal action(s) necessary to collect any delinquent Special Taxes including foreclosure of any lien securing such Special Taxes;

(d) that as provided by the Act, authorize the payment of the costs and attorneys' fees for prosecution of such litigation as is authorized on behalf of the District on redemption prior to entry of judgment as well as on post-judgment redemption, and by the Fiscal Agent Agreement the District authorizes such counsel retained by the District to require payment on the District's behalf of all costs and all attorneys' fees incurred in applicable litigation as a condition of such redemption; and/or

(e) in conjunction with counsel retained by the District, and other District consultants, authorize, pursuant to Government Code Section 53356.2: (i) the recording of notices of intent to remove the delinquent Special Taxes from the tax rolls, and (ii) requests that the applicable County of San Diego officials remove current and future delinquent Special Taxes from the tax rolls.

All actions undertaken by the Assistant Superintendent, Business Services and Executive Director, Finance, or their respective designees, pursuant to the provisions of such Covenant shall be reported to the Board on a regular basis and are subject to the authority of the Board to subsequently direct different or alternative action(s) in such regard.

The District is expressly authorized by the Fiscal Agent Agreement to include costs and attorneys' fees related to foreclosure of delinquent Special Taxes as Administrative Expenses under the Fiscal Agent Agreement.

See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" and "SPECIAL RISK FACTORS" in the Official Statement for further information.

Covenant 4. Against Encumbrances. The District will not encumber, pledge or place any charge or lien upon any of the Net Taxes or other amounts pledged to the Bonds superior to, or on a parity with, the pledge and lien created for the benefit of the Bonds in the Fiscal Agent Agreement, except as permitted by the Fiscal Agent Agreement and as to bonds issued to fully or partially refund the Bonds.

Covenant 5. Modification of Maximum Authorized Special Tax. The District covenants that no modification of the maximum authorized Special Taxes applicable to the District shall be approved by the District which would prohibit the District from levying the Special Tax on Developed Property within the District in any Fiscal Year at such a rate as could generate Special Taxes within the District in each Fiscal Year at least equal to 110% of Annual Debt Service plus estimated annual Administrative Expenses.

The District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the maximum authorized Special Taxes, it will, to the extent of available District funds therefore, commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

Covenant 6. Protection of Security and Rights of Owners. The District will preserve and protect the security of the District 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 District, the Bonds shall be incontestable by the District.

Covenant 7. Compliance with Law, Completion of Project. The District will comply with all applicable provisions of the Act and law in completing the acquisition and construction of the Project; provided, that the District shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefore in the School Facilities Account of the Construction Fund.

Covenant 8. Books and Accounts. The District will keep, or cause to be kept, proper books of records and accounts, separate from all other records and accounts of the Series 2019 Special Tax Bonds, in which complete and correct entries shall be made of all transactions relating to the Series 2019 Special Tax Bonds and the Project, the levy of the Special Tax within the District and the deposits to the Special Tax Fund including the Prepayment Account. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than ten percent (10%) of the principal amount of the Series 2019 Special Tax Bonds then Outstanding or their representatives authorized in writing.

Covenant 9. Tax Covenant. The District covenants and represents by the Fiscal Agent Agreement that until the last Bonds shall have been fully paid or redeemed, the District will comply with all requirements of the Tax Certificate, the Code and all applicable Regulations, such that the interest on the Series 2019 Special Tax Bonds will remain excluded from gross income for federal income tax purposes.

Covenant 10. Additional Tax Covenants. Covenant 10, as fully set forth in the Fiscal Agent Agreement, provides for additional covenants of the District in order to preserve and protect the tax-exempt status of the Series 2019 Special Tax Bonds.

Covenant 11. Further Assurances. The District will 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 obligations and covenants under the Fiscal Agent Agreement and any Supplement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement and in any Supplement.

Covenant 12. Additional Opinion(s). The District will not make any change in requirements or procedures or take any action, as to which change or action the Fiscal Agent Agreement or related documents require an opinion of nationally recognized Bond Counsel, unless it obtains an opinion of Bond Counsel to the effect that (a) interest on the Series 2019 Special Tax Bonds was excluded from gross income for federal income tax purposes from their date of issuance until the date of such change, assuming compliance with the covenants in the Fiscal Agent Agreement as they were in effect prior to the change (except that such opinion need not be given as to any interest for which a similar opinion has previously been given and remains in effect subsequent to such change), and (b) assuming continued compliance by the District with the covenants as changed, interest on the Series 2019 Special Tax Bonds is excluded from gross income for purposes of federal income taxation.

Covenant 13. Tender of Series 2019 Special Tax Bonds. The District will not, in collecting the Special Taxes within the District or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53344.2, 53356.1 and 53356.5 of the California Government Code in any manner which would be inconsistent with the interests of the Owners and, in particular, will not permit the tender of Series 2019 Special Tax Bonds in full or partial payment of Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Series 2019 Special Tax Bonds remaining Outstanding following such tender.

Covenant 14. Additional Special Tax Bonds or Obligations. The District shall not issue any additional bonds, notes or other similar evidences of indebtedness payable, in whole or in part, out of Net Taxes except: (i) bonds issued to fully or partially refund the Outstanding Series 2019 Special Tax Bonds; and (ii) subordinate bonds, notes or other similar evidences of indebtedness (see "SECURITY FOR THE BONDS – Additional Bonds for Refunding Purposes Only" in the Official Statement).

Covenant 15. Annual Reports.

(a) Annual Reports to the California Debt and Investment Advisory Commission. Not later than October 30 of each year, commencing October 30, 2020, and until the October 30 following the final maturity of the Bonds, the District shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to



Section 53359.5(b) of the Act, as it may be amended from time to time. Such information shall be made available to any Owner upon written request to the District accompanied by a fee determined by the District to pay the costs of the District in connection therewith. The District shall in no event be liable to any Owner or any other Person or entity in connection with any error in any such information.

(b) If at any time the Fiscal Agent fails to pay principal or interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal or interest on the Bonds, such that the amount(s) in the Reserve Fund are reduced below the Reserve Requirement, the Fiscal Agent shall notify the District in writing of such failure or withdrawal, and the District shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within 10 days of the failure to make such payment or the date of such withdrawal.

(c) The reporting requirements of such Covenant 15 shall be amended from time to time, without action by the District or the Fiscal Agent to reflect any future amendments to Section 53359.5(b) or Section 53359.5(c) of the Act. The District shall provide the Fiscal Agent with a copy of any such amendment. Delivery of such reports, information and documents to the Fiscal Agent is for informational purposes only and the Fiscal Agent's receipt of such shall not constitute constructive notice of any information contained therein, including the District's compliance with any of its covenants under the Fiscal Agent Agreement (as to which the Fiscal Agent is entitled to rely exclusively on written directives from the District). Notwithstanding the foregoing, any such amendment shall not, in itself, affect the District's obligations under any continuing disclosure documentation relating to the Bonds.

(d) The District shall cause annual reports to be filed in conformance with the requirements of Government Code Section 8855(k).

(e) None of the District, its officers, agents, employees or Authorized Representatives, or the Fiscal Agent, shall be liable to any Person or party for any inadvertent error in reporting the information contained in such Covenant 15.

Continuing Disclosure Covenant. The District has covenanted and agreed in the Fiscal Agent Agreement that it will comply with and carry out all of its obligations under the District Continuing Disclosure Certificate. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the District to comply with its obligations under the District Continuing Disclosure Certificate shall not be considered an event of default under the Fiscal Agent Agreement, and the sole remedy, in the event of any failure of the District to comply with the District Continuing Disclosure Certificate, shall be an action to compel performance thereof. Any Bondowner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under such Covenant. For purposes of this paragraph, "Beneficial Owners" 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 Series 2019 Special Tax Bonds (including Persons holding Series 2019 Special Tax Bonds through nominees, depositories or other intermediaries), or (b) is treated as the Owner of any Series 2019 Special Tax Bonds for federal income tax purposes (see "CONTINUING DISCLOSURE" in the Official Statement for further information).

## **Amendments to Fiscal Agent Agreement**

The District may from time to time, and at any time, without notice to, or consent of, any of the Owners, adopt Supplements to the Fiscal Agent Agreement for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provision in the Fiscal Agent Agreement which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the Fiscal Agent Agreement, or in any Supplement, provided that such action shall not have a material adverse effect on the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Fiscal Agent Agreement which are not contrary to or inconsistent with the Fiscal Agent Agreement as theretofore in effect; or

(c) to modify, alter, amend or supplement the Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners, including, but not limited to, providing for the rating (if any) or insuring (if any) of the Series 2019 Special Tax Bonds.

Exclusive of amendments supplemental to the Fiscal Agent Agreement covered by (a), above, the Owners of not less than 60% in aggregate principal amount of the Series 2019 Special Tax Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such amendments or orders supplemental to the Fiscal Agent Agreement as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Fiscal Agent Agreement; provided, however, that nothing in the Fiscal Agent Agreement shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Series 2019 Special Tax Bonds, (b) a reduction in the principal amount of, or redemption premium on, any Series 2019 Special Tax Bonds or the rate of interest thereon, (c) a preference or priority of any Series 2019 Special Tax Bonds over any other Series 2019 Special Tax Bonds, or (d) a reduction in the aggregate principal amount of the Series 2019 Special Tax Bonds the Owners of which are required to consent to such Supplement, without, in the case of (a) or (b), the consent of the affected Owner, or, in the case of (c) or (d), the consent of the Owners of all Series 2019 Special Tax Bonds then Outstanding.

Supplements Requiring Owner Consent. If at any time the District shall desire to adopt a Supplement to the Fiscal Agent Agreement which, pursuant to the terms of the Fiscal Agent Agreement, shall require the consent of the Owners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplement to be mailed, postage prepaid, to all Owners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that a copy thereof is on file at the Principal Corporate Trust Office for inspection by all Owners. The failure of any Owner to receive such notice shall not affect the validity of such Supplement when consented to and approved as provided in the Fiscal Agent Agreement. Whenever at any time within one year after the date of the first mailing of such notice the Fiscal Agent shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Series 2019 Special Tax Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplement described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy thereof referred to in such notice as on file with the Fiscal Agent, such proposed Supplement, when duly

adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Series 2019 Special Tax Bonds as referred to in the Fiscal Agent Agreement. In determining whether the Owners of 60% of the aggregate principal amount of the Series 2019 Special Tax Bonds have consented to the adoption of any Supplement, Series 2019 Special Tax Bonds which are known to the Fiscal Agent to be owned by the District or by any Person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplement to the Fiscal Agent Agreement and the receipt of consent to any such amendment from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of the Fiscal Agent Agreement, the Fiscal Agent Agreement shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Fiscal Agent Agreement of the District and all Owners of Series 2019 Special Tax Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Fiscal Agent Agreement, subject in all respects to such modifications and amendments. Notwithstanding anything in the Fiscal Agent Agreement to the contrary, no Supplement shall be entered into which would modify the duties of the Fiscal Agent under the Fiscal Agent Agreement without the prior written consent of the Fiscal Agent.

**Fiscal Agent**

The Fiscal Agent is appointed and takes authorized actions under the terms of the Fiscal Agent Agreement. The initial Fiscal Agent may be removed or replaced by the District upon 30 days' prior written notice (except during the continuance of an event of default, as further discussed below) or may resign in favor of a successor Fiscal Agent. The Fiscal Agent Agreement provides for certain minimum qualifications of the Fiscal Agent and provides for notice and procedures in the event a successor Fiscal Agent is required or appointed.

The duties of the Fiscal Agent are specified within the Fiscal Agent Agreement and include mailing interest payments to the Owners, selecting Series 2019 Special Tax Bonds for redemption pursuant to the terms of the Fiscal Agent Agreement, giving notice of redemption and meetings of the Owners, maintaining the Bond Register and maintaining and administering the funds and accounts established pursuant to the Fiscal Agent Agreement. The Fiscal Agent also performs all other acts authorized or directed of the Fiscal Agent pursuant to the terms of the Fiscal Agent Agreement.

The Fiscal Agent Agreement provides that the recitals of fact and all promises, covenants and agreements contained therein and in the Series 2019 Special Tax Bonds are to be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Fiscal Agent Agreement or the Series 2019 Special Tax Bonds. The Fiscal Agent Agreement provides for certain protections from liability of the Fiscal Agent except for its own negligence or willful misconduct, as further specified in the Fiscal Agent Agreement. Included as part of such protections, the Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent security or indemnity acceptable to the Fiscal Agent against the costs, expenses, and liabilities which may be incurred therein or thereby.

## **Events of Default; Remedies; Limitations**

Events of Default. Any one or more of the following events shall constitute an “event of default”:

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Series 2019 Special Tax Bond when and as the same shall become due and payable, whether at maturity as therein expressed or from mandatory redemption;

(b) Default in the due and punctual payment of the interest on any Series 2019 Special Tax Bond when and as the same shall become due and payable; or

(c) Default by the District in the observance of any of the other agreements, conditions or covenants on its part contained in the Fiscal Agent Agreement or in the Series 2019 Special Tax Bonds, and the continuation of such default for a period of 30 days after the District shall have been given notice in writing of such default by the Fiscal Agent, provided that if within 30 days the District has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated; and provided further, that any noncompliance with the terms of the Continuing Disclosure Covenant, identified in the Fiscal Agent Agreement, shall not be an event of default under the terms of the Fiscal Agent Agreement and is limited to the remedies specifically identified therein (see “CONTINUING DISCLOSURE” in the Official Statement for further information).

Remedies of Owners. Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Fiscal Agent Agreement;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) Upon the happening of an event of default (as defined in the Fiscal Agent Agreement), by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in the Fiscal Agent Agreement, or in the Series 2019 Special Tax Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Series 2019 Special Tax Bonds to the respective Owners of the Series 2019 Special Tax Bonds at the respective dates of maturity, as provided in the Fiscal Agent Agreement, out of the Net Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Series 2019 Special Tax Bonds and in the Fiscal Agent Agreement.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power

accruing upon 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 conferred upon the Owners by the Act or by the Fiscal Agent Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy conferred through the Fiscal Agent Agreement upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Fiscal Agent Agreement or now or thereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

It is intended that no one or more Owner(s) of Series 2019 Special Tax Bonds shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Fiscal Agent Agreement or the rights of any other Owners of Series 2019 Special Tax Bonds, or to enforce any right under the Series 2019 Special Tax Bonds, the Fiscal Agent Agreement, the Act or other applicable law with respect to the Series 2019 Special Tax Bonds (it being understood that the Fiscal Agent does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Owners), except in the manner provided in the Fiscal Agent Agreement, and that all proceedings at law or in equity to enforce any such right(s) shall be instituted, had and maintained in the manner provided in the Fiscal Agent Agreement and for the benefit and protection of all Owners of the Outstanding Series 2019 Special Tax Bonds.

Application of Net Special Tax Revenues after Default. If an Event of Default shall occur and be continuing, all Net Taxes and any other funds thereafter received by the Fiscal Agent under any of the provisions of the Fiscal Agent 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 reasonable judgment of the Fiscal Agent to protect the interests of the Owners of the Series 2019 Special Tax Bonds and payment of reasonable fees, charges and expenses of the Fiscal Agent (including reasonable fees, expenses and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Fiscal Agent Agreement;

(b) To the payment of the principal of and interest then due with respect to the Series 2019 Special Tax Bonds (upon presentation of the Series 2019 Special Tax 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 Fiscal Agent Agreement, as follows:

First: To the payment to the Owners 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 Owners entitled thereto, without any discrimination or preference; and

Second: To the payment to the Owners entitled thereto of the unpaid principal of any Series 2019 Special Tax 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 Series 2019 Special Tax Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Series 2019 Special Tax Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Owners entitled thereto, without any discrimination or preference.

Any remaining funds shall be transferred by the Fiscal Agent to the Special Tax Fund.

No Acceleration. The Series 2019 Special Tax Bonds are not subject to acceleration in payment of interest or principal prior to maturity (see "SPECIAL RISK FACTORS – No Acceleration Provision" in the Official Statement for further information).

### **Defeasance**

If all or a specified portion of the Series 2019 Special Tax Bonds shall be paid and discharged under the terms of the Fiscal Agent Agreement in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest due on such Series 2019 Special Tax Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in an irrevocable escrow, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund and available for such purpose, is fully sufficient to pay the principal of and interest on such Series 2019 Special Tax Bond as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in an irrevocable escrow, Federal Securities, in which the District may lawfully invest its money, in such amount as certified by a nationally recognized certified public accountant which will, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund available for such purpose, together with the interest to accrue thereon, be fully sufficient to pay and discharge the principal of and interest and any premium on such Series 2019 Special Tax Bond as and when the same shall become due and payable; then, notwithstanding that any such Series 2019 Special Tax Bond shall not have been surrendered for payment, all obligations of the District under the Fiscal Agent Agreement, and any Supplement, with respect to such Series 2019 Special Tax Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Series 2019 Special Tax Bonds not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in the Fiscal Agent Agreement.

In connection with a defeasance under (b) or (c) above, there shall be provided to the District and the Fiscal Agent a certificate of a certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent, or the designated escrow holder, to pay and discharge the principal of, premium, if any, and interest on the Outstanding Bonds to be defeased in accordance with the Fiscal Agent Agreement, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Series 2019 Special Tax Bonds being defeased have been legally defeased in accordance with the Fiscal Agent Agreement.

Upon such a defeasance, the Fiscal Agent shall release the rights of the Owners of such Series 2019 Special Tax Bonds which have been defeased under the Fiscal Agent Agreement and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Fiscal Agent Agreement of all Outstanding Bonds, the Fiscal Agent shall pay over or deliver to the District any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Series 2019 Special Tax Bonds when due. The Fiscal Agent shall, at the written direction and expense of the District, mail, first-class, postage prepaid, a notice to the Owners whose Series 2019 Special Tax Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

**Miscellaneous**

Execution of Documents and Proof of Ownership. (a) Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Fiscal Agent Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by any commercial bank, trust company or other depository for such Series 2019 Special Tax Bond. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of such Bond shall be sufficient for the purposes of the Fiscal Agent Agreement (except as otherwise provided therein), if made in the following manner:

(b) The fact and date of the execution by any Owner or their attorney of any such instrument and of any instrument appointing any such attorney may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of this authority; provided, however, that nothing contained in the Fiscal Agent Agreement shall be construed as limiting the Fiscal Agent to such proof, it being intended that the Fiscal Agent may accept any other evidence of the matters stated in the Fiscal Agent Agreement which the Fiscal Agent may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Series 2019 Special Tax Bond in respect to anything done or suffered to be done by the Fiscal Agent in pursuance of such request or consent; and

(c) As to any Series 2019 Special Tax Bond, the Person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Series 2019 Special Tax Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2019 Special Tax Bond and the interest thereon to the extent of the sum or sums so paid. The Fiscal Agent shall not be affected by any notice to the contrary.

Provisions Constitute Contract. The provisions of the Fiscal Agent Agreement, including any Supplements thereto, and the Series 2019 Special Tax Bonds shall constitute a contract between the District and the Owners (“Contract”) and the provisions of the Fiscal Agent Agreement and the Series 2019 Special Tax Bonds shall be enforceable by any Owner for the equal benefit and protection of all Owners similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may later be

authorized under the laws of the State in any court of competent jurisdiction. The Contract is made under and is to be construed in accordance with the laws of the State.

No remedy conferred by the Fiscal Agent Agreement upon any Owner is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law of the State. No waiver of any default or breach of duty or contract by any Owner shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Owners may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the Owner shall prevail, said Owner shall be entitled to receive from the Net Taxes reimbursement for reasonable costs, expenses, outlays and attorneys' fees and should said suit, action or proceeding be abandoned, or be determined adversely to the Owners then, and in every such case, the District's positions, rights and remedies shall be construed in a manner as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds, the Fiscal Agent Agreement shall not be subject to repeal, but shall be subject to modification to the extent and in the manner provided in the Fiscal Agent Agreement, but to no greater extent and in no other manner.

Limitation of Rights. Nothing in the Fiscal Agent Agreement or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Fiscal Agent, the District and the Bondowners any legal or equitable right, remedy or claim under or in respect to the Fiscal Agent Agreement or any covenant, condition or provision therein or contained in the Fiscal Agent Agreement, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Fiscal Agent, the District and the Bondowners.

Payment on Non-Business Days. In the event any payment is required to be made under the Fiscal Agent Agreement 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 non-Business Day.

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## APPENDIX F

### GENERAL INFORMATION ABOUT THE CITIES OF SAN MARCOS AND VISTA AND THE COUNTY OF SAN DIEGO

*The following information is included only for the purpose of supplying general information regarding the Cities and the County. This information is provided only for general informational purposes, and provides prospective investors limited information about this region and its economic base. The Bonds are not a debt of the Cities, the County, the State or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.*

**The County.** The County of San Diego (the “County”) is the southern-most county in California. The County covers an area of approximately 4,280 square miles, about the size of the state of Connecticut. The County is bordered by the Pacific Ocean to the west, Orange and Riverside Counties to the north, Imperial County to the east, and the State of Baja California, Mexico to the south. The County includes 70 miles of the Pacific Ocean coastline, the Anza-Borrego Desert, which forms the eastern third of the county, the Laguna Mountains, the San Diego Bay, one of the world’s largest natural deep-water harbors, and the San Diego International Airport.

The County possesses a diverse economic base consisting of electronics manufacturing and shipbuilding, tourism, biotech and software development, and defense-related industries. The County is also growing as a center for culture and education. Over 30 recognized art organizations including the San Diego Opera, the Old Globe Theater productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County.

The County was incorporated on February 18, 1850 and functions under a charter adopted in 1933, and is amended from time to time. The County is governed by a five-member Board of Supervisors elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. Elected officials include the Assessor/County Clerk/Recorder, District Attorney, Sheriff and Treasurer/Tax Collector.

**The Cities.** The Cities of Vista and San Marcos (the “Cities”) are located in the foothills of the northern San Diego County region and is bordered by Escondido to the east, Encinitas to the southwest, Carlsbad to the west, and Vista to the northwest. From miles of trails in the local hills, to unique dining and shopping opportunities in its retail centers, the Cities have all the ingredients that make living enjoyable. Just a 35-mile drive south takes you to downtown San Diego, while a short jaunt west takes you to the majestic shores of the Pacific Ocean. Home to Palomar College and California State University San Marcos, the City of San Marcos has also become the heart of education in San Diego North. In addition to its rich recreational and cultural programs for children, teens, adults and seniors, the City of San Marcos has constructed 60 miles of trails, 29 new parks and 11 recreation centers over the past 25 years.

**Population**

The following sets forth the Cities, the County and the State population estimates as of January 1, 2019 for the years 2015 to 2019:

**CITY OF SAN MARCOS, CITY OF VISTA SAN DIEGO COUNTY AND STATE OF CALIFORNIA  
Estimated Population**

Year (January 1)	City of San Marcos	City of Vista	San Diego County	State of California
2015	92,910	97,865	3,267,992	38,952,462
2016	93,868	99,373	3,287,279	39,214,803
2017	95,004	101,605	3,309,626	39,504,609
2018	96,335	101,770	3,333,128	39,740,508
2019	98,369	101,987	3,351,786	39,927,315

*Source: State of California Department of Finance, Demographic Research Unit.*

**Commercial Activity**

A summary of historic taxable sales within the City of San Marcos during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2018 in the City were reported to be \$351,410,676 a 5.46% increase over the total taxable sales of \$333,231,531 reported during the first quarter of calendar year 2017. Figures for calendar year 2018 are not yet available.

**CITY OF SAN MARCOS  
Taxable Retail Sales  
Number of Permits and Valuation of Taxable Transactions  
(Taxable transactions in thousands of dollars)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2013	1,305	\$1,104,949	2,203	1,385,350
2014	1,393	1,110,115	2,284	1,401,751
2015 <sup>(1)</sup>	1,371	1,085,316	2,561	1,357,433
2016	1,361	1,090,330	2,574	1,366,625
2017	1,439	1,125,265	2,651	1,437,239

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.  
 Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

A summary of historic taxable sales within the City of Vista during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2018 in the City were reported to be \$358,264,482 a 8.87% decrease over the total taxable sales of \$393,143,688 reported during the first quarter of calendar year 2017. Figures for calendar year 2018 are not yet available.

**CITY OF VISTA**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Taxable transactions in thousands of dollars)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2013	1,409	\$963,987	2,415	\$1,296,960
2014	1,453	1,000,934	2,480	1,506,768
2015 <sup>(1)</sup>	1,490	983,143	2,759	1,498,773
2016	1,507	986,288	2,802	1,522,070
2017	1,553	1,035,070	2,865	1,545,729

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.  
*Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.*

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2018 in the County were reported to be \$13,690,118,229 a 3.25% increase over the total taxable sales of \$13,258,703,350 reported during the three quarter of calendar year 2017. Figures for calendar year 2018 are not yet available.

**SAN DIEGO COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2013	58,466	35,948,594	85,143	50,297,331
2014	59,705	37,257,495	86,671	52,711,639
2015 <sup>(1)</sup>	36,549	37,989,566	95,645	54,185,588
2016	58,391	38,576,362	95,435	55,407,866
2017	59,798	39,814,405	97,412	56,993,548

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.  
*Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.*

## Industry and Employment

The District is included in the San Diego-Carlsbad Metropolitan Statistical Area (“MSA”), which includes all of the County. The unemployment rate in San Diego County was 2.7 percent in September 2019, down from a revised 3.4 percent in August 2019, and below the year-ago estimate of 3.1 percent. This compares with an unadjusted unemployment rate of 3.5 percent for California and 3.3 percent for the nation during the same period.

Set forth below is data from 2014 to 2018, reflecting the County's civilian labor force, employment and unemployment.

**SAN DIEGO-CARLSBAD MSA  
(San Diego County)  
Annual Average Labor Force, Employment and Unemployment,  
Unemployment by Industry  
(March 2018 Benchmark)**

	2014	2015	2016	2017	2018
Civilian Labor Force <sup>(1)</sup>	1,540,700	1,550,100	1,564,300	1,574,600	1,592,200
Employment	1,441,700	1,469,500	1,490,500	1,511,400	1,539,500
Unemployment	99,000	80,600	73,900	63,200	52,700
Unemployment Rate	6.4%	5.2%	4.7%	4.0%	3.3%
<u>Wage and Salary Employment: <sup>(2)</sup></u>					
Agriculture	9,400	9,100	8,900	8,700	9,100
Mining and Logging	400	300	300	300	300
Construction	63,900	69,900	76,300	79,500	84,200
Manufacturing	102,400	106,600	108,400	109,400	112,700
Wholesale Trade	44,900	44,100	43,700	43,800	43,700
Retail Trade	144,300	146,800	147,500	149,000	148,200
Transportation, Warehousing and Utilities	27,000	28,400	29,700	32,000	33,500
Information	24,500	23,800	23,700	24,000	24,000
Finance and Insurance	42,100	43,500	45,100	46,300	46,800
Real Estate and Rental and Leasing	27,500	27,900	27,900	28,400	29,100
Professional and Business Services	222,400	229,300	234,500	238,800	248,800
Educational and Health Services	186,100	192,700	198,700	204,300	210,500
Leisure and Hospitality	175,500	182,400	190,400	195,600	199,900
Other Services	52,000	53,200	54,400	55,000	55,400
Federal Government	45,800	46,000	46,800	46,900	46,900
State Government	44,100	45,700	47,600	49,300	50,700
Local Government	142,000	144,500	147,900	150,100	150,000
Total, All Industries <sup>(3)</sup>	1,354,300	1,394,100	1,431,800	1,461,300	1,493,800

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

**Largest Employers**

The largest manufacturing and non-manufacturing employers as of November 2019 in the County are shown below, in alphabetical order.

**SAN DIEGO COUNTY  
Largest Employers  
As of November 2019**

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
32nd St Naval Station	San Diego	Federal Government-National Security
Barona Resort & Casino	Lakeside	Casinos
Ceasar Entertainment	Valley Center	Swimming Pool Contrs Dealers & Designers
Employees'association-Sdg-E	San Diego	Associations
General Dynamics NASSCO	San Diego	Ship Builders & Repairers (mfrs)
Kaiser Permanente Vandever Med	San Diego	Physicians & Surgeons
Kaiser Permanente Zion Med Ctr	San Diego	Hospitals
Mccs Mcrd	San Diego	Towing-Marine
Merchants Building Maintenance	San Diego	Janitor Service
Palomar Pomerado Health Rehab	Escondido	Rehabilitation Services
Rady Children's Hospital	San Diego	Hospitals
Respiratory Support Prod Inc	San Diego	Nonclassified Establishments
San Diego Community College	San Diego	Junior-Community College-Tech Institutes
San Diego County Sheriff	Santee	Police Departments
Scripps Mercy Hosp Sn Diego	San Diego	Hospitals
Scripps Research Institute	La Jolla	Laboratories-Research & Development
Seaworld San Diego	San Diego	Water Parks
Sharp Mary Birch Hosp	San Diego	Hospitals
Sharp Memorial Hospital	San Diego	Hospitals
Sony Electronics	San Diego	Electronic Equipment & Supplies-Retail
Uc San Diego Health	San Diego	Health Care Management
Ucsd	La Jolla	University-College Dept/Facility/Office
University of California	La Jolla	University-College Dept/Facility/Office
University-California Sn Diego	La Jolla	Schools-Universities & Colleges Academic
US Navy Med Ctr-Orthopedics	San Diego	Clinics

*Source: California State Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.*

## Construction Activity

The following tables show valuation summaries of building permits issued in the Cities for the past five years:

### CITY OF SAN MARCOS Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$39,671.0	\$23,654.6	\$28,614.2	\$147,003.3	47,412.8
New Multi-family	917.3	65,462.7	40,673.8	6,514.0	18,531.7
Res. Alterations/Additions	<u>4,505.8</u>	<u>1,285.3</u>	<u>4,526.2</u>	<u>2,998.3</u>	<u>38,732.0</u>
Total Residential	45,094.1	90,402.6	73,814.2	156,515.6	38,732.0
New Commercial	2,740.3	7,988.8	7,000.2	15,040.7	33,276.4
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	9,853.3	2,330.1	9,953.6	3,074.7	6,854.0
Com. Alterations/Additions	<u>17,329.1</u>	<u>14,784.2</u>	<u>11,871.0</u>	<u>20,090.8</u>	<u>12,858.1</u>
Total Nonresidential	29,922.7	25,103.1	28,824.8	28,206.2	52,988.5
<u>New Dwelling Units</u>					
Single Family	94	78	62	385	133
Multiple Family	<u>6</u>	<u>536</u>	<u>284</u>	<u>83</u>	<u>122</u>
TOTAL	100	614	346	468	255

Source: Construction Industry Research Board, Building Permit Summary.

### CITY OF VISTA Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$26,449.4	\$40,684.9	53,607.2	\$12,762.3	20,197.7
New Multi-family	101,657.6	33,537.9	0.0	12,574.2	34,879.5
Res. Alterations/Additions	<u>3,461.2</u>	<u>2,610.7</u>	<u>4,848.4</u>	<u>2,978.7</u>	<u>3,268.1</u>
Total Residential	131,568.2	\$76,833.5	58,455.6	\$28,315.20	58,345.3
New Commercial	2,772.6	550.3	2,205.5	972.5	30,861.2
New Industrial	106.6	0.0	0.0	0.0	4,528.4
New Other	2,153.8	2,190.4	1,719.9	903.4	6,339.9
Com. Alterations/Additions	<u>9,602.2</u>	<u>16,568.0</u>	<u>15,880.3</u>	<u>11,787.9</u>	<u>10,052.8</u>
Total Nonresidential	14,635.2	19,308.7	19,805.7	13,663.8	51,782.3
<u>New Dwelling Units</u>					
Single Family	84	139	164	40	91
Multiple Family	<u>768</u>	<u>310</u>	<u>0</u>	<u>138</u>	<u>218</u>
TOTAL	852	449	164	178	309

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows valuation summaries of building permits issued in the County for the past five years:

**SAN DIEGO COUNTY**  
**Building Activity and Permit Valuation**  
**(Dollars in Thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation:</u>					
New Single-family	\$860,232.6	\$1,069,273.0	\$833,134.7	\$1,378,079.5	1,201,187.4
New Multi-family	611,730.7	1,028,733.2	1,256,903.4	912,036.7	992,359.0
Res. Alterations/Additions	<u>346,889.7</u>	<u>349,035.7</u>	<u>382,198.9</u>	<u>342,709.8</u>	<u>480,327.0</u>
Total Residential	1,818,853.0	2,447,041.9	2,472,236.9	2,632,825.8	2,673,873.4
New Commercial	881,182.3	521,789.4	560,233.2	770,075.8	510,108.1
New Industrial	9,160.0	77,376.7	18,721.2	68,351.7	25,882.0
New Other	233,997.8	493,580.0	317,405.1	443,191.2	239,647.3
Com. Alterations/Additions	<u>796,287.2</u>	<u>769,756.2</u>	<u>981,463.0</u>	<u>1,089,684.2</u>	<u>1,126,206.2</u>
Total Nonresidential	1,920,627.3	1,862,502.3	1,877,822.5	2,371,302.9	1,901,843.6
<u>New Dwelling Units</u>					
Single Family	2,276	3,136	2,420	3,960	3,438
Multiple Family	<u>4,327</u>	<u>6,869</u>	<u>7,680</u>	<u>6,056</u>	<u>6,132</u>
TOTAL	6,603	10,005	10,100	10,016	9,570

*Source: Construction Industry Research Board, Building Permit Summary.*



**Effective Buying Income**

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the Cities, the County, the State and the United States for 2015 through 2019.

**CITY OF SAN MARCOS, CITY OF VISTA, AND SAN DIEGO COUNTY  
Effective Buying Income  
2015 through 2019**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000’s Omitted)</u>	<u>Median Household Effective Buying Income</u>
2015	San Marcos City	\$1,861,358	\$46,451
	Vista City	1,590,338	42,062
	San Diego County	84,949,559	55,146
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	San Marcos City	\$2,063,924	\$50,681
	Vista City	1,676,813	42,818
	San Diego County	91,727,879	58,408
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	San Marcos City	\$2,365,304	\$58,495
	Vista City	1,803,108	44,885
	San Diego County	96,442,532	61,649
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2018	San Marcos City	\$2,572,893	\$64,046
	Vista City	1,970,126	49,518
	San Diego County	102,896,146	65,279
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2019	San Marcos City	2,572,893	64,046
	Vista City	2,218,531	55,323
	San Diego County	102,896,146	65,279
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

*Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.*

## Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles Area and points north. Interstate 15 runs inland, leading the Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown area at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 21 major airlines. In addition to San Diego International Airport, there are several general aviation airports located in the County, including McClellan-Palomar Airport in Encinitas.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

## APPENDIX G

### BOOK-ENTRY-ONLY PROVISIONS

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds (herein, the “Securities”) to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Securities (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the “Agent”) takes any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”) will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“**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 Securities 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 certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, 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 Issuer or Agent, 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.