

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2014

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P __

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

COUNTY OF SAN DIEGO

STATE OF CALIFORNIA

\$ _____^{*}
**SAN MARCOS PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
SERIES 2014A**

Dated: Date of Delivery

Due: September 1, as shown on the inside cover page

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

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

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

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

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

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

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

The Authority has applied for and may obtain municipal bond insurance and a reserve surety with respect to the Bonds. If municipal bond insurance is obtained for some or all maturities of the Bonds, the scheduled payment of principal of and interest on such Bonds when due will be guaranteed under an insurance policy issued concurrently with the delivery of the Bonds. If the Authority receives a commitment for such insurance, its decision as to whether or not to purchase such insurance will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the Authority will obtain a commitment for or will purchase such insurance. See the caption "INTRODUCTION—Potential for Bond Insurance and Reserve Surety."

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

MATURITY SCHEDULE

(See inside cover)

The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the City Attorney, for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel, for the Underwriter by

^{*} Preliminary, subject to change.

Jones Hall, A Professional Law Corporation, San Francisco, California, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about October __, 2014.

[STIFEL LOGO]

Dated: October __, 2014

\$ _____ *

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

MATURITY SCHEDULE

Base CUSIP^{®†}: _____

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP^{®†}</i>
	\$	%	%	

\$ _____ % Term Bonds Due September 1, 20__ – Price _____ CUSIP^{®†} _____

\$ _____ % Term Bonds Due September 1, 20__ – Price _____ CUSIP^{®†} _____

* Preliminary, subject to change.

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° Insured Bond.

CITY OF SAN MARCOS

CITY COUNCIL/AUTHORITY MEMBERS

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

CITY/AUTHORITY OFFICIALS

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

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Fieldman, Rolapp & Associates
Irvine, California

Special Tax Consultant

David Taussig & Associates, Inc.
Newport Beach, California

Trustee/Fiscal Agent

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

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

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

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

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

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

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

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

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

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[AREA MAP]

[AERIAL PHOTO – CFD NO. 99-01]

[MAP – CFD NO. 91-01]

\$ _____ *

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

INTRODUCTION

Summary

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

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

The Bonds are being issued: (i) to finance the purchase by the Authority of 18 series of special tax refunding bonds (the “Special Tax Refunding Bonds”), 17 of which are being issued by the City of San Marcos Community Facilities District No. 99-01 (“CFD No. 99-01”) for Improvement Areas A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2 and V1A (each, an “Improvement Area” and collectively, the “Improvement Areas”), and one of which is being issued by the City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) (“CFD No. 91-01” and, together with CFD No. 99-01, the “Community Facilities Districts” or individually, a “Community Facilities District”); (ii) to provide cash for deposit in the Reserve Fund relating to the Bonds; and (iii) to pay certain costs of issuance of the Bonds.

As described under the caption “THE FINANCING PLAN”:

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

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

* Preliminary, subject to change.

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

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

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

Potential for Bond Insurance and Reserve Surety

The Authority has applied to municipal bond insurers (each, an “Insurer”) to obtain a municipal bond insurance policy (the “Policy”). If a Policy is obtained, it would guarantee the scheduled payment of the principal of and interest on the insured Bonds. The Authority has also applied for an Insurer to issue a reserve surety (“Reserve Surety”) in an amount equal to the Reserve Requirement – QRFI (as such term is defined under the caption “SECURITY FOR THE BONDS—Repayment of the Bonds—Establishment and Application of Reserve Fund”), which would be deposited in the Reserve Fund if issued. See the caption “—Reserve Fund.” The Authority’s decision as to whether or not to purchase a Policy and as to which of the Bonds to insure, as well as whether to purchase a Reserve Surety, will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the Agency will obtain a commitment for a Policy or Reserve Surety, and, if a Policy is obtained, whether such Policy will cover all or less than all of the Bonds. If the Authority purchases a Policy or Reserve Surety, information regarding the Insurer will be included in the final Official Statement.

Reserve Fund

A Reserve Fund for the Bonds has been established pursuant to the Indenture. The Authority will deposit a portion of the proceeds of the Bonds in an amount equal to the Reserve Requirement – Cash in the Reserve Fund. In addition, as discussed under the caption “—Potential for Bond Insurance and Reserve Surety,” the Authority has applied to the Insurers for the issuance of a Reserve Surety in the amount of the Reserve Requirement – QRFI. If issued, the Reserve Surety will also be deposited in the Reserve Fund. See the caption “SECURITY FOR THE BONDS—Repayment of the Bonds—Establishment and Application of Reserve Fund.”

The Bonds

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

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

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

Special Tax Refunding Bonds

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

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

Each series of Special Tax Refunding Bonds will be separately secured by special taxes (the “Special Taxes”) levied against certain taxable real property within the boundaries of the applicable Improvement Area within CFD No. 99-01 or within the boundaries of CFD No. 91-01. See the caption “SECURITY FOR THE BONDS—Payment of the Special Tax Refunding Bonds.”

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

No Parity Bonds

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

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

Risk Factors

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

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

THE FINANCING PLAN

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

TABLE __
SPECIAL TAX REFUNDING BONDS

<i>Special Tax Refunding Bonds</i>	<i>Principal Amount*</i>	<i>Final Maturity Date</i>
City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area A1 Special Tax Refunding Bonds”)	\$1,515,113	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area A2 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area A2 Special Tax Refunding Bonds”)	1,606,386	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area B1 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area B1 Special Tax Refunding Bonds”)	1,523,206	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area B2 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area B2 Special Tax Refunding Bonds”)	1,300,869	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area C1 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area C1 Special Tax Refunding Bonds”)	2,454,712	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area D1 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area D1 Special Tax Refunding Bonds”)	1,329,956	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area F2/V2 Special Tax Refunding Bonds”)	2,555,000	September 1, 20__

* Preliminary, subject to change.

<i>Special Tax Refunding Bonds</i>	<i>Principal Amount*</i>	<i>Final Maturity Date</i>
City of San Marcos Community Facilities District No. 99-01 Improvement Area G3 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area G3 Special Tax Refunding Bonds")	974,735	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area H1A Special Tax Refunding Bonds, Series 2014 (the "Improvement Area H1A Special Tax Refunding Bonds")	1,058,240	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area H1B Special Tax Refunding Bonds, Series 2014 (the "Improvement Area H1B Special Tax Refunding Bonds")	977,437	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area J Special Tax Refunding Bonds, Series 2014 (the "Improvement Area J Special Tax Refunding Bonds")	3,705,000	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area M Special Tax Refunding Bonds, Series 2014 (the "Improvement Area M Special Tax Refunding Bonds")	3,090,327	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area N1 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area N1 Special Tax Refunding Bonds")	1,909,199	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area N2 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area N2 Special Tax Refunding Bonds")	1,783,142	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area R1 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area R1 Special Tax Refunding Bonds")	1,978,025	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area R2 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area R2 Special Tax Refunding Bonds")	1,557,203	September 1, 20__
City of San Marcos Community Facilities District No. 99-01 Improvement Area V1A Special Tax Refunding Bonds, Series 2014 (the "Improvement Area V1A Special Tax Refunding Bonds")	2,185,000	September 1, 20__
City of San Marcos Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014 (the "CFD No. 91-01 Special Tax Refunding Bonds")	1,461,451	September 1, 20__

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

TABLE __
PRIOR FACILITIES AUTHORITY BONDS

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

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

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

TABLE __
PRIOR SPECIAL TAX BONDS

<i>Prior Special Tax Bonds</i>	<i>Date Issued</i>	<i>Original Principal Amount</i>	<i>Outstanding Principal Amount</i>	<i>Redemption Price</i>	<i>Redemption Date</i>
City of San Marcos Community Facilities District No. 99-01 (Improvement Area F2/V2) Special Tax Bonds, Series 2006	November 21, 2006	\$ 3,220,000	\$ 2,835,000	100%	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area J) Special Tax Bonds, Series 2006	November 21, 2006	4,675,000	4,115,000	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area V1A) Special Tax Bonds, Series 2006	November 21, 2006	2,755,000	2,425,000	100	[November 3, 2014]

<i>Prior Special Tax Bonds</i>	<i>Date Issued</i>	<i>Original Principal Amount</i>	<i>Outstanding Principal Amount</i>	<i>Redemption Price</i>	<i>Redemption Date</i>
City of San Marcos Community Facilities District No. 99-01 (Improvement Area A1) 2004 Special Tax Refunding Bonds	September 15, 2004	2,270,000	1,757,470	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area A2) 2004 Special Tax Refunding Bonds	September 15, 2004	2,360,000	1,859,344	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area B1) 2004 Special Tax Refunding Bonds	September 15, 2004	2,255,000	1,763,962	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area B2) 2004 Special Tax Refunding Bonds	September 15, 2004	1,940,000	1,509,208	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area C1) 2004 Special Tax Refunding Bonds	September 15, 2004	3,565,000	2,832,179	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area D1) 2004 Special Tax Refunding Bonds	September 15, 2004	1,960,000	1,539,080	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area G3) 2004 Special Tax Refunding Bonds	September 15, 2004	1,430,000	1,127,759	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area H1A) 2004 Special Tax Refunding Bonds	September 15, 2004	1,555,000	1,224,821	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area H1B) 2004 Special Tax Refunding Bonds	September 15, 2004	1,410,000	1,126,922	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area M) 2004 Special Tax Refunding Bonds	September 15, 2004	4,560,000	3,578,481	100	[November 3, 2014]
City of San Marcos Community Facilities District No. 99-01 (Improvement Area N1) 2004 Special Tax Refunding Bonds	September 15, 2004	2,805,000	2,209,793	100	[November 3, 2014]

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

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

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

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

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

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

TABLE __
ESTIMATED SOURCES AND USES
BONDS

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

Sources of Funds

Principal Amount of Bonds	\$ _____
Plus/Less Net Original Issue Premium/Discount	
Plus Other Available Moneys ⁽¹⁾	_____
<i>Total Sources</i>	<u>\$ _____</u>

Uses of Funds

Special Tax Refunding Bonds Purchase Fund ⁽²⁾	\$
Reserve Fund ⁽³⁾	
Underwriter's Discount	
Costs of Issuance ⁽⁴⁾	
<i>Total Uses</i>	<u>\$ _____</u>

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

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

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TABLE __
ESTIMATED SOURCES AND USES
SPECIAL TAX REFUNDING BONDS

	<i>Improvement Area A1</i>	<i>Improvement Area A2</i>	<i>Improvement Area B1</i>	<i>Improvement Area B2</i>	<i>Improvement Area C1</i>	<i>Improvement Area D1</i>	<i>Improvement Area F2/V2</i>	<i>Improvement Area G3</i>	<i>Improvement Area H1A</i>	
<i>Sources of Funds</i>										
Principal Amount of Special Tax Refunding Bonds	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Plus/Less Share of Premium/Discount on Bonds										
Plus Other Available Moneys ⁽¹⁾										
Total Sources	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
<i>Uses of Funds</i>										
Deposit to Escrow Fund ⁽²⁾	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Share of Reserve Fund										
Share of Underwriter's Discount on Bonds										
Share of Costs of Issuance ⁽³⁾										
Total Uses	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
	<i>Improvement Area H1B</i>	<i>Improvement Area J</i>	<i>Improvement Area M</i>	<i>Improvement Area N1</i>	<i>Improvement Area N2</i>	<i>Improvement Area R1</i>	<i>Improvement Area R2</i>	<i>Improvement Area V1A</i>	<i>CFD No. 91-01</i>	<i>Total</i>
<i>Sources of Funds</i>										
Principal Amount of Special Tax Refunding Bonds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plus/Less Share of Premium/Discount on Bonds										
Plus Other Available Moneys ⁽¹⁾										
Total Sources	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<i>Uses of Funds</i>										
Deposit to Escrow Fund ⁽²⁾	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Share of Reserve Fund										
Share of Underwriter's Discount on Bonds										
Share of Costs of Issuance ⁽³⁾										
Total Uses	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

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

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

THE BONDS

Description of the Bonds

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

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

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

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

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

Redemption

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

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

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

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

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

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

* Preliminary, subject to change.

Mandatory Sinking Fund Redemption. The Outstanding Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption in part, on September 1, 20__ and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Principal Amount</i>
20__	\$
20__	
20__ (maturity)	

The Outstanding Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption in part, on September 1, 20__ and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Principal Amount</i>
20__	\$
20__	
20__ (maturity)	

If some but not all of the Bonds maturing on September 1, 20__ and September 1, 20__ are redeemed pursuant to the provisions set forth above under the caption “—Optional Redemption,” the principal amount of the Bonds maturing on September 1, 20__ and September 1, 20__ to be redeemed pursuant to the mandatory sinking fund redemption provisions of the Indenture on any subsequent September 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the Authority in a Certificate of the Authority filed with the Trustee; provided, however, that the aggregate amount of such reductions may not exceed the aggregate amount of Bonds maturing on September 1, 20__ and September 1, 20__ redeemed pursuant to the provisions set forth above under the caption “—Optional Redemption.”

If some but not all of the Bonds maturing on September 1, 20__ and September 1, 20__ are redeemed pursuant to the provisions set forth above under the caption “—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds,” the principal amount of the Bonds maturing on September 1, 20__ and September 1, 20__ to be redeemed pursuant to the mandatory sinking fund redemption provisions of the Indenture on any subsequent September 1 will be reduced by the aggregate principal amount of the Bonds maturing on September 1, 20__ and September 1, 20__ redeemed pursuant to the provisions set forth above under the caption “—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds,” such reduction to be allocated among redemption dates, as determined by the Trustee, so that following such redemption the remaining principal amount of each sinking fund payment on the Bonds maturing on September 1, 20__ and September 1, 20__ will match the principal payment on the Special Tax Refunding Bonds due and payable on the same date, notice of which determination will be given by the Trustee to the Authority.

Purchase in Lieu of Redemption. In lieu of optional redemption as set forth above under the caption “—Optional Redemption” or redemption from Principal Prepayments of the Special Tax Refunding Bonds as set forth above under the caption “—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds,” moneys in the Redemption Account may be used and withdrawn by the Trustee for the purchase of Outstanding Bonds, upon the filing with the Trustee of a Written Certificate of the Authority requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Written Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase,

unless a greater purchase price is permitted under Chapter 5 of Division 7 of Title 1 of the California Government Code and the Authority determines that it will have sufficient amounts in the Revenue Fund, following such purchase, to pay the principal of and interest on the Bonds as the same become due and payable.

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

Selection of Bonds of a Maturity for Redemption

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

Notice of Redemption

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

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

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

Effect of Redemption

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

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

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

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

Transfers and Exchange

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

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Debt Service Schedule

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

TABLE __
DEBT SERVICE SCHEDULE

<i>Year Ending (September 1)</i>	<i>Total Aggregate Special Tax Refunding Bonds Debt Service</i>	<i>Bonds</i>		<i>Annual Debt Service</i>
		<i>Principal</i>	<i>Interest</i>	
2015	\$	\$	\$	\$
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Source: Stifel, Nicolaus & Company, Incorporated.

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SECURITY FOR THE BONDS

Repayment of the Bonds

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

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

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

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

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

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

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

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

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

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

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

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

See Appendix B.

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

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

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

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

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

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

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

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

There will be maintained in the Reserve Fund an amount of cash equal to the Reserve Requirement – Cash and a Reserve Surety in an amount equal to the Reserve Requirement – QRFI. “Reserve Requirement – Cash” means, as of any date of calculation, an amount equal to 50% of the least of: (a) 125% of the average Annual Debt Service on the Bonds for that and any subsequent Bond Year; (b) 100% of the Maximum Annual Debt Service on the Bonds for that or any subsequent Bond Year; or (c) 10% of the issue price (within the

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

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

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

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

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

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

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

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

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

Payment of the Special Tax Refunding Bonds

General. Each Series of Special Tax Refunding Bonds is secured by a first pledge (which pledge will be effected in the manner and to the extent provided in each Special Tax Refunding Bonds Fiscal Agent Agreement) of all of the Net Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided in the Special Tax Refunding Bonds Fiscal Agent Agreements, in the Special Tax Fund. See the captions “THE FINANCING PLAN” and “COMMUNITY FACILITIES DISTRICT NO. 99-01” and “COMMUNITY FACILITIES DISTRICT NO. 91-01.”

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

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

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

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

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

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

Special Taxes cannot be levied or collected in any Improvement Area to cover a shortfall in the collection of Special Taxes in another Improvement Area, nor can Special Taxes be levied or collected in CFD No. 91-01 to cover a shortfall in the collection of Special Taxes in any Improvement Area within CFD No. 91-01. The Special Tax Fund of one Improvement Area or CFD No. 91-01, as applicable, is not available to cure any deficiency in the collection of the Special Taxes within any other Improvement Area or CFD No. 91-01, as applicable. ***Other than amounts on deposit in the Reserve Fund, there are no cross-collateralization or cross-payment provisions in effect with respect to the Improvement Areas or CFD No. 91-01. The Special Tax Refunding Bonds Fiscal Agent Agreements do not establish reserve funds in connection with the Special Tax Refunding Bonds.***

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

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

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

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

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

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

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

Parity Special Tax Refunding Bonds for Refunding Purposes Only. Pursuant to each Special Tax Refunding Bonds Fiscal Agent Agreement, the Community Facilities Districts have covenanted not to issue additional obligations entitled to a lien on the Net Special Tax Revenues of the respective Improvement Area

* Preliminary, subject to change.

or CFD No. 91-01, as applicable, other than for the purpose of refunding the Special Tax Refunding Bonds relating to such Improvement Area or CFD No. 91-01, as applicable.

Levy and Collection of Special Taxes

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

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

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

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

Special Tax Refunding Bonds, will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Special Tax Refunding Bonds.

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

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

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

See Appendix B under the caption “FISCAL AGENT AGREEMENT—NET SPECIAL TAX REVENUES; BOND FUND—Bond Fund” for a description of the application of moneys in the Bond Fund to pay principal of and interest on the Special Tax Refunding Bonds;

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

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

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

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

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

Rates and Methods of Apportionment of Special Taxes

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

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

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

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

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

No Teeter Plan

The Board of Supervisors of the County of San Diego has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State. As a result of the implementation of the Teeter Plan by the County of San Diego, the County of San Diego apportions secured property taxes and assessments on an accrual basis when due (irrespective of actual collections) to participating local political subdivisions for which the County of San Diego acts as the levying or collecting agency. The Community Facilities Districts do not participate in the Teeter Plan. As a result, the collection of Special Taxes is subject to delinquency risk. As further described under the caption “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” and “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure Delays,” delinquencies in the payment of Special Taxes could have an adverse effect on the Community Facilities Districts’ ability to make timely debt service payments on the applicable Special Tax Refunding

Bonds, which secure the Bonds. Conversely, the Community Facilities Districts will benefit from Special Taxes generated by penalties and interest charged on delinquent Special Taxes.

See Tables __, __ and __ under the caption “COMMUNITY FACILITIES DISTRICT NO. 99-01” and Table __ under the caption “COMMUNITY FACILITIES DISTRICT NO. 91-01” for historical delinquency information with respect to the Improvement Areas and CFD No. 91-01, respectively.

Covenant to Foreclose

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

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

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the applicable series of Special Tax Refunding Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the Authority, the City and the Community Facilities Districts. See the caption “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure Delays.” Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See the caption “SPECIAL RISK FACTORS—Land Values.” Although the CFD Act authorizes the Community Facilities Districts to cause such an action to be commenced and diligently pursued to completion, the CFD Act does not impose on the Community Facilities Districts, the Authority or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. However, the City does have the ability to use the foreclosure judgment to purchase property by credit bid at a foreclosure sale, in which case the City would have no obligation to pay such credit bid for 24 months. The CFD Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Priority of Lien

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

No Obligation of the City Upon Delinquency

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

Prepayment of Special Taxes

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

THE AUTHORITY

The San Marcos Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement, dated December 14, 1993, as subsequently amended and restated by an Amended and Restated Joint Exercise of Powers Agreement, dated as of January 10, 2012, each by and between the City and the FPD. The Authority was created for the purpose of financing or refinancing of public capital improvements for, and working capital requirements of, the City, the FPD or any other local agency, including community facilities districts created by the City or the FPD, through the construction and/or acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of bonds of the City, the FPD or any other local agency pursuant to bond purchase agreements and/or the lending of funds by the Authority to the City, the FPD or any other local agency. The Authority is governed by a board of five directors, which is composed of the members of the City Council. The Executive Director of the Authority is the City Manager of the City. The Authority is specifically granted all of the powers specified in the Bond Law, including but not limited to the power to issue bonds and to sell such bonds to public or private purchasers at public or by negotiated sale. The Authority is entitled to exercise powers common to its members and necessary to accomplish the purpose for which it was formed. The Authority has no independent staff, and consequently it will be completely dependent upon the officers and employees of the City to administer its program.

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

THE CITY

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

COMMUNITY FACILITIES DISTRICT NO. 99-01

General

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

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

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

Improvement Area A1

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area A1 Debt Report") for Improvement Area A1, reflecting the issuance of \$1,515,113* aggregate principal amount of Improvement Area A1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area A1 is \$47,671,259 for the current Fiscal Year. The Improvement Area A1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area A1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area A1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area A1 (inclusive of the Improvement Area A1 Special Tax Refunding Bonds) is \$2,524,843.* The assessed value-to-lien ratio for Improvement Area A1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 18.88* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

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

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area A1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area A1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area A1</i>
Metropolitan Water District	\$94,962,540	\$ 1,538	0.0016%	\$132,275,000	\$ 2,142
Palomar Community College District Prop M 2006A	8,072,249	3,920	0.0486	139,270,000	67,626
Palomar Community College District Prop M 2006B	3,330,255	1,617	0.0486	173,498,901	84,245
San Marcos Unified School District SFID 2004-1	2,096,194	6,235	0.2975	6,503,019	19,344
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,278	0.2975	141,424,415	420,690
San Marcos Unified School District Series 2010B	19,204	57	0.2975	64,969,530	193,311
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2975	74,702,799	222,216
Total Overlapping Debt					\$ 1,009,574
Improvement Area A1 Bonded Indebtedness					\$ 1,515,113*
Estimated Share of Direct and Overlapping Debt					\$ 2,524,687*
Improvement Area A1 Assessed Value (Fiscal Year 2013-14)					\$43,942,659
Improvement Area A1 Assessed Value (Fiscal Year 2014-15)					\$47,671,259
Value-to-Lien Ratio (Fiscal Year 2013-14)					17.41*
Value-to-Lien Ratio (Fiscal Year 2014-15)					18.88*

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

* Preliminary, subject to change.

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

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 554,317**

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area A2

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area A2 Debt Report") for Improvement Area A2, reflecting the issuance of \$1,606,386* aggregate principal amount of Improvement Area A2 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area A2 is \$46,337,161 for the current Fiscal Year. The Improvement Area A2 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area A2 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area A2 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area A2 (inclusive of the Improvement Area A2 Special Tax Refunding Bonds) is \$2,602,266.* The assessed value-to-lien ratio for Improvement Area A2 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 17.81* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

TABLE ____^{*}
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A2
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area A2</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area A2</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area A2</i>
Metropolitan Water District	\$94,962,540	\$1,517	0.0016%	\$132,275,000	\$ 2,113
Palomar Community College District Prop M 2006A	8,072,249	3,867	0.0479	139,270,000	66,710
Palomar Community College District Prop M 2006B	3,330,255	1,595	0.0479	173,498,901	83,105
San Marcos Unified School District SFID 2004-1	2,096,194	6,151	0.2934	6,503,019	19,082
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,017	0.2934	141,424,415	414,994
San Marcos Unified School District Series 2010B	19,204	56	0.2936	64,969,530	190,774
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2934	74,702,799	219,207
Total Overlapping Debt					\$ 995,985
Improvement Area A2 Bonded Indebtedness					\$ 1,606,386 [*]
Estimated Share of Direct and Overlapping Debt					\$ 2,602,371 [*]
Improvement Area A2 Assessed Value (Fiscal Year 2013-14)					\$43,347,791
Improvement Area A2 Assessed Value (Fiscal Year 2014-15)					\$46,337,161
Value-to-Lien Ratio (Fiscal Year 2013-14)					16.66 [*]
Value-to-Lien Ratio (Fiscal Year 2014-15)					17.81 [*]

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

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

(3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area A2 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area A2 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

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

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

(6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area A2 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

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

^{*} Preliminary, subject to change.

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

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

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area B1

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area B1 Debt Report") for Improvement Area B1, reflecting the issuance of \$1,523,206* aggregate principal amount of Improvement Area B1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area B1 is \$49,919,912 for the current Fiscal Year. The Improvement Area B1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area B1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area B1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area B1 (inclusive of the Improvement Area B1 Special Tax Refunding Bonds) is \$2,573,106.* The assessed value-to-lien ratio for Improvement Area B1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 19.40* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

TABLE ____*

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

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area B1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area B1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area B1</i>
Metropolitan Water District	\$94,962,540	\$ 1,600	0.0017%	\$132,275,000	\$ 2,229
Palomar Community College District Prop M 2006A	8,072,249	4,077	0.0505	139,270,000	70,348
Palomar Community College District Prop M 2006B	3,330,255	1,682	0.0505	173,498,901	87,636
San Marcos Unified School District SFID 2004-1	2,096,194	6,487	0.3094	6,503,019	20,123
San Marcos Unified School District Prop K Series 2010A	6,480,623	20,054	0.3094	141,424,415	437,630
San Marcos Unified School District Series 2010B	19,204	59	0.3092	64,969,530	200,890
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.3094	74,702,799	231,164
Total Overlapping Debt					\$ 1,050,020
Improvement Area B1 Bonded Indebtedness					\$ 1,523,206*
Estimated Share of Direct and Overlapping Debt					\$ 2,573,226*
Improvement Area B1 Assessed Value (Fiscal Year 2013-14)					\$45,712,050
Improvement Area B1 Assessed Value (Fiscal Year 2014-15)					\$49,919,912
Value-to-Lien Ratio (Fiscal Year 2013-14)					17.76*
Value-to-Lien Ratio (Fiscal Year 2014-15)					19.40*

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

* Preliminary, subject to change.

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

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

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area B2

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area B2 Debt Report") for Improvement Area B2, reflecting the issuance of \$1,300,869* aggregate principal amount of Improvement Area B2 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area B2 is \$49,729,042 for the current Fiscal Year. The Improvement Area B2 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area B2 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area B2 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area B2 (inclusive of the Improvement Area B2 Special Tax Refunding Bonds) is \$2,322,164.* The assessed value-to-lien ratio for Improvement Area B2 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 21.41* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

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

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area B2</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area B2</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area B2</i>
Metropolitan Water District	\$94,962,540	\$ 1,556	0.0016%	\$132,275,000	\$ 2,168
Palomar Community College District Prop M 2006A	8,072,249	3,966	0.0491	139,270,000	68,420
Palomar Community College District Prop M 2006B	3,330,255	1,636	0.0491	173,498,901	85,234
San Marcos Unified School District SFID 2004-1	2,096,194	6,309	0.3010	6,503,019	19,571
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,504	0.3010	141,424,415	425,622
San Marcos Unified School District Series 2010B	19,204	58	0.3009	64,969,530	195,477
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.3010	74,702,799	224,821
Total Overlapping Debt					\$ 1,021,313
Improvement Area B2 Bonded Indebtedness					\$ 1,300,869*
Estimated Share of Direct and Overlapping Debt					\$ 2,322,182*
Improvement Area B2 Assessed Value (Fiscal Year 2013-14)					\$44,458,020
Improvement Area B2 Assessed Value (Fiscal Year 2014-15)					\$49,729,042
Value-to-Lien Ratio (Fiscal Year 2013-14)					19.14*
Value-to-Lien Ratio (Fiscal Year 2014-15)					21.41*

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

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

(3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area B2 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area B2 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

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

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

(6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area B2 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

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

* Preliminary, subject to change.

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

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

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area C1

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

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

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

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$65,283,906	\$ -	\$65,283,906	N/A%	N/A	N/A%
2008-09	61,717,892	-	61,717,892	(5.46)	N/A	(5.46)
2009-10	49,235,933	-	49,235,933 ⁽⁴⁾	(20.22)	N/A	(20.22)
2010-11	48,228,905	-	48,228,905 ⁽⁴⁾	(2.05)	N/A	(2.05)
2011-12	48,630,963	-	48,630,963	0.83	N/A	0.83
2012-13	43,786,478	-	43,786,478 ⁽⁴⁾	(9.96)	N/A	(9.96)
2013-14	45,150,656	-	45,150,656	3.12	N/A	3.12
2014-15	52,581,957	-	52,581,957 ⁽⁵⁾	16.46	N/A	16.46

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

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

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

⁽⁴⁾ Decreases in assessed values reflect [____].

⁽⁵⁾ Increase in assessed value reflects [____].

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

(1) All parcels in Improvement Area C1 are classified as Developed Property.
 (2) Reflects Special Tax rates prescribed by Improvement Area C1's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.
 (3) Includes debt service on the Improvement Area C1 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.*
 (4) Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.
 Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area C1 Debt Report") for Improvement Area C1, reflecting the issuance of \$2,454,712* aggregate principal amount of Improvement Area C1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area C1 is \$52,581,957 for the current Fiscal Year. The Improvement Area C1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area C1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area C1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area C1 (inclusive of the Improvement Area C1 Special Tax Refunding Bonds) is \$3,491,873.* The assessed value-to-lien ratio for Improvement Area C1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 15.06* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

TABLE ____^{*}
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA C1
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area C1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area C1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area C1</i>
Metropolitan Water District	\$94,962,540	\$ 1,581	0.0017%	\$132,275,000	\$ 2,202
Palomar Community College District Prop M 2006A	8,072,249	4,027	0.0499	139,270,000	69,485
Palomar Community College District Prop M 2006B	3,330,255	1,662	0.0499	173,498,901	86,562
San Marcos Unified School District SFID 2004-1	2,096,194	6,407	0.3056	6,503,019	19,876
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,808	0.3056	141,424,415	432,256
San Marcos Unified School District Series 2010B	19,204	59	0.3055	64,969,530	198,454
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.3056	74,702,799	228,325
Total Overlapping Debt					\$ 1,037,160
Improvement Area C1 Bonded Indebtedness					\$ 2,454,712 [*]
Estimated Share of Direct and Overlapping Debt					\$ 3,491,872 [*]
Improvement Area C1 Assessed Value (Fiscal Year 2013-14)					\$45,150,656
Improvement Area C1 Assessed Value (Fiscal Year 2014-15)					\$52,581,957
Value-to-Lien Ratio (Fiscal Year 2013-14)					12.93 [*]
Value-to-Lien Ratio (Fiscal Year 2014-15)					15.06 [*]

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

^{*} Preliminary, subject to change.

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

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

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area D1

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area D1 Debt Report") for Improvement Area D1, reflecting the issuance of \$1,329,956* aggregate principal amount of Improvement Area D1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area D1 is \$43,543,377 for the current Fiscal Year. The Improvement Area D1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area D1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area D1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area D1 (inclusive of the Improvement Area D1 Special Tax Refunding Bonds) is \$2,221,956.* The assessed value-to-lien ratio for Improvement Area D1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 19.60* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

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

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area D1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area D1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area D1</i>
Metropolitan Water District	\$94,962,540	\$ 1,360	0.0014%	\$132,275,000	\$ 1,894
Palomar Community College District Prop M 2006A	8,072,249	3,465	0.0429	139,270,000	59,780
Palomar Community College District Prop M 2006B	3,330,255	1,429	0.0429	173,498,901	74,469
San Marcos Unified School District SFID 2004-1	2,096,194	5,512	0.2629	6,503,019	17,100
San Marcos Unified School District Prop K Series 2010A	6,480,623	17,041	0.2629	141,424,415	371,874
San Marcos Unified School District Series 2010B	19,204	50	0.2627	64,969,530	170,678
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2629	74,702,799	196,430
Total Overlapping Debt					\$ 892,225
Improvement Area D1 Bonded Indebtedness					\$ 1,329,956*
Estimated Share of Direct and Overlapping Debt					\$ 2,221,181*
Improvement Area D1 Assessed Value (Fiscal Year 2013-14)					\$38,843,618
Improvement Area D1 Assessed Value (Fiscal Year 2014-15)					\$43,543,377
Value-to-Lien Ratio (Fiscal Year 2013-14)					17.48*
Value-to-Lien Ratio (Fiscal Year 2014-15)					19.59*

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

* Preliminary, subject to change.

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

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

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area F2/V2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

⁽¹⁾ All parcels in Improvement Area F2/V2 are classified as Developed Property. One parcel is expected to be subdivided into 25 residential units, for an anticipated ultimate total of 173 residential parcels in Improvement Area F2/V2.

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

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

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

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 12.18% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area F2/V2.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area F2/V2 Debt Report") for Improvement Area F2/V2, reflecting the issuance of \$2,555,000* aggregate principal amount of Improvement Area F2/V2 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area F2/V2 is \$86,618,485 for the current Fiscal Year. The Improvement Area F2/V2 Debt

* Preliminary, subject to change.

Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area F2/V2 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area F2/V2 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area F2/V2 (inclusive of the Improvement Area F2/V2 Special Tax Refunding Bonds) is \$3,918,115.* The assessed value-to-lien ratio for Improvement Area F2/V2 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 22.11* to 1. The value-to-lien ratio of individual parcels will vary from this average.

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

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

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

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

(3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area F2/V2 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area F2/V2 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

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

* Preliminary, subject to change.

- (5) Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.
- (6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area F2/V2 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

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

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

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

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

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

(2) Net of exemptions.

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

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

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

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

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

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

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

Improvement Area G3

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

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

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

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

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

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

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

⁽⁴⁾ Decreases in assessed values reflect [____].

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area G3 Debt Report") for Improvement Area G3, reflecting the issuance of \$974,735* aggregate principal amount of Improvement Area G3 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area G3 is \$27,664,347 for the current Fiscal Year. The Improvement Area G3 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area G3 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area G3 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area G3 (inclusive of the Improvement Area G3 Special Tax Refunding Bonds) is \$1,559,097.* The assessed value-to-lien ratio for Improvement Area G3 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 17.74* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

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

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area G3</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area G3</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area G3</i>
Metropolitan Water District	\$94,962,540	\$ 890	0.0009%	\$132,275,000	\$ 1,240
Palomar Community College District Prop M 2006A	8,072,249	2,268	0.0281	139,270,000	39,130
Palomar Community College District Prop M 2006B	3,330,255	936	0.0281	173,498,901	48,749
San Marcos Unified School District SFID 2004-1	2,096,194	3,608	0.1721	6,503,019	11,193
San Marcos Unified School District Prop K Series 2010A	6,480,623	11,154	0.1721	141,424,415	243,417
San Marcos Unified School District Series 2010B	19,204	33	0.1726	64,969,530	112,117
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.1721	74,702,799	128,577
Total Overlapping Debt					\$ 584,423
Improvement Area G3 Bonded Indebtedness					\$ 974,735*
Estimated Share of Direct and Overlapping Debt					\$ 1,559,158*
Improvement Area G3 Assessed Value (Fiscal Year 2013-14)					\$25,426,056
Improvement Area G3 Assessed Value (Fiscal Year 2014-15)					\$27,664,347
Value-to-Lien Ratio (Fiscal Year 2013-14)					16.31*
Value-to-Lien Ratio (Fiscal Year 2014-15)					17.74*

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

* Preliminary, subject to change.

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

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

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area H1A

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area H1A Debt Report") for Improvement Area H1A, reflecting the issuance of \$1,058,240* aggregate principal amount of Improvement Area H1A Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area H1A is \$33,337,675 for the current Fiscal Year. The Improvement Area H1A Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area H1A Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area H1A is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area H1A (inclusive of the Improvement Area H1A Special Tax Refunding Bonds) is \$1,746,891.* The assessed value-to-lien ratio for Improvement Area H1A as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 19.08* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

TABLE ^{*}
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1A
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area H1A</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area H1A</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area H1A</i>
Metropolitan Water District	\$94,962,540	\$ 1,049	0.0011%	\$132,275,000	\$ 1,461
Palomar Community College District Prop M 2006A	8,072,249	2,674	0.0331	139,270,000	46,130
Palomar Community College District Prop M 2006B	3,330,255	1,103	0.0331	173,498,901	57,468
San Marcos Unified School District SFID 2004-1	2,096,194	4,253	0.2029	6,503,019	13,195
San Marcos Unified School District Prop K Series 2010A	6,480,623	13,150	0.2029	141,424,415	286,967
San Marcos Unified School District Series 2010B	19,204	39	0.2031	64,969,530	131,975
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2029	74,702,799	151,581
Total Overlapping Debt					\$ 688,777
Improvement Area H1A Bonded Indebtedness					\$ 1,058,240 [*]
Estimated Share of Direct and Overlapping Debt					\$ 1,747,017 [*]
Improvement Area H1A Assessed Value (Fiscal Year 2013-14)					\$29,974,919
Improvement Area H1A Assessed Value (Fiscal Year 2014-15)					\$33,337,675
Value-to-Lien Ratio (Fiscal Year 2013-14)					17.16 [*]
Value-to-Lien Ratio (Fiscal Year 2014-15)					19.08 [*]

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

^{*} Preliminary, subject to change.

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

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

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area H1B

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area H1B Debt Report") for Improvement Area H1B, reflecting the issuance of \$977,437* aggregate principal amount of Improvement Area H1B Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area H1B is \$29,248,644 for the current Fiscal Year. The Improvement Area H1B Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area H1B Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area H1B is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area H1B (inclusive of the Improvement Area H1B Special Tax Refunding Bonds) is \$1,593,046.* The assessed value-to-lien ratio for Improvement Area H1B as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 18.36* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

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

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area H1B</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area H1B</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area H1B</i>
Metropolitan Water District	\$94,962,540	\$ 938	0.0010%	\$132,275,000	\$ 1,307
Palomar Community College District Prop M 2006A	8,072,249	2,391	0.0296	139,270,000	41,244
Palomar Community College District Prop M 2006B	3,330,255	986	0.0296	173,498,901	51,381
San Marcos Unified School District SFID 2004-1	2,096,194	3,803	0.1814	6,503,019	11,798
San Marcos Unified School District Prop K Series 2010A	6,480,623	11,757	0.1814	141,424,415	256,572
San Marcos Unified School District Series 2010B	19,204	35	0.1814	64,969,530	117,868
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.1814	74,702,799	135,526
Total Overlapping Debt					\$ 615,696
Improvement Area H1B Bonded Indebtedness					\$ 977,437*
Estimated Share of Direct and Overlapping Debt					\$ 1,593,133*
Improvement Area H1B Assessed Value (Fiscal Year 2013-14)					\$26,800,010
Improvement Area H1B Assessed Value (Fiscal Year 2014-15)					\$29,248,644
Value-to-Lien Ratio (Fiscal Year 2013-14)					16.82*
Value-to-Lien Ratio (Fiscal Year 2014-15)					18.36*

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

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

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

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area J

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area J Debt Report") for Improvement Area J, reflecting the issuance of \$3,705,000^{*} aggregate principal amount of Improvement Area J Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area J is \$48,734,833 for the current Fiscal Year. The Improvement Area J Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area J Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area J is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area J (inclusive of the Improvement Area J Special Tax Refunding Bonds) is \$4,663,064.* The assessed value-to-lien ratio for Improvement Area J as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 10.45* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

TABLE ____^{*}
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA J
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area J</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area J</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area J</i>
Metropolitan Water District	\$94,962,540	\$ 1,460	0.0015%	\$132,275,000	\$ 2,034
Palomar Community College District Prop M 2006A	8,072,249	3,720	0.0461	139,270,000	64,189
Palomar Community College District Prop M 2006B	3,330,255	1,535	0.0461	173,498,901	79,963
San Marcos Unified School District SFID 2004-1	2,096,194	5,919	0.2823	6,503,019	18,361
San Marcos Unified School District Prop K Series 2010A	6,480,623	18,298	0.2823	141,424,415	399,306
San Marcos Unified School District Series 2010B	19,204	54	0.2823	64,969,530	183,433
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2823	74,702,799	210,920
Total Overlapping Debt					\$ 958,206
Improvement Area J Bonded Indebtedness					\$ 3,705,000 [*]
Estimated Share of Direct and Overlapping Debt					\$ 4,663,206 [*]
Improvement Area J Assessed Value (Fiscal Year 2013-14)					\$41,709,009
Improvement Area J Assessed Value (Fiscal Year 2014-15)					\$48,734,833
Value-to-Lien Ratio (Fiscal Year 2013-14)					8.94 [*]
Value-to-Lien Ratio (Fiscal Year 2014-15)					10.45 [*]

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

^{*} Preliminary, subject to change.

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

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 686,406**

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area M

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area M Debt Report") for Improvement Area M, reflecting the issuance of \$3,090,327* aggregate principal amount of Improvement Area M Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area M is \$84,361,313 for the current Fiscal Year. The Improvement Area M Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area M Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area M is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area M (inclusive of the Improvement Area M Special Tax Refunding Bonds) is \$4,921,890.* The assessed value-to-lien ratio for Improvement Area M as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 17.14* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

TABLE ____*

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

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area M</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area M</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area M</i>
Metropolitan Water District	\$94,962,540	\$ 2,791	0.0029%	\$132,275,000	\$ 3,887
Palomar Community College District Prop M 2006A	8,072,249	7,112	0.0881	139,270,000	122,704
Palomar Community College District Prop M 2006B	3,330,255	2,934	0.0881	173,498,901	152,857
San Marcos Unified School District SFID 2004-1	2,096,194	11,314	0.5397	6,503,019	35,099
San Marcos Unified School District Prop K Series 2010A	6,480,623	34,978	0.5397	141,424,415	763,316
San Marcos Unified School District Series 2010B	19,204	104	0.5397	64,969,530	350,660
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.5397	74,702,799	403,196
Total Overlapping Debt					\$ 1,831,719
Improvement Area M Bonded Indebtedness					\$ 3,090,327*
Estimated Share of Direct and Overlapping Debt					\$ 4,922,046*
Improvement Area M Assessed Value (Fiscal Year 2013-14)					\$79,731,284
Improvement Area M Assessed Value (Fiscal Year 2014-15)					\$84,361,313
Value-to-Lien Ratio (Fiscal Year 2013-14)					16.20*
Value-to-Lien Ratio (Fiscal Year 2014-15)					17.14*

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

* Preliminary, subject to change.

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

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

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area N1

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area N1 Debt Report") for Improvement Area N1, reflecting the issuance of \$1,909,199* aggregate principal amount of Improvement Area N1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area N1 is \$55,098,838 for the current Fiscal Year. The Improvement Area N1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area N1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area N1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area N1 (inclusive of the Improvement Area N1 Special Tax Refunding Bonds) is \$3,043,732.* The assessed value-to-lien ratio for Improvement Area N1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 18.10* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

TABLE ____*

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

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area N1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area N1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area N1</i>
Metropolitan Water District	\$94,962,540	\$ 1,729	0.0018%	\$132,275,000	\$ 2,408
Palomar Community College District Prop M 2006A	8,072,249	4,406	0.0546	139,270,000	76,010
Palomar Community College District Prop M 2006B	3,330,255	1,818	0.0546	173,498,901	94,691
San Marcos Unified School District SFID 2004-1	2,096,194	7,008	0.3343	6,503,019	21,742
San Marcos Unified School District Prop K Series 2010A	6,480,623	21,667	0.3343	141,424,415	472,842
San Marcos Unified School District Series 2010B	19,204	64	0.3342	64,969,530	217,129
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.3343	74,702,799	249,763
Total Overlapping Debt					\$ 1,134,585
Improvement Area N1 Bonded Indebtedness					\$ 1,909,199*
Estimated Share of Direct and Overlapping Debt					\$ 3,043,784*
Improvement Area N1 Assessed Value (Fiscal Year 2013-14)					\$ 49,390,065
Improvement Area N1 Assessed Value (Fiscal Year 2014-15)					\$ 55,098,838
Value-to-Lien Ratio (Fiscal Year 2013-14)					16.23*
Value-to-Lien Ratio (Fiscal Year 2014-15)					18.10*

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

* Preliminary, subject to change.

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

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 655,939**

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area N2

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area N2 Debt Report") for Improvement Area N2, reflecting the issuance of \$1,783,142* aggregate principal amount of Improvement Area N2 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area N2 is \$49,699,019 for the current Fiscal Year. The Improvement Area N2 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area N2 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area N2 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area N2 (inclusive of the Improvement Area N2 Special Tax Refunding Bonds) is \$2,793,381.* The assessed value-to-lien ratio for Improvement Area N2 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 17.79* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

TABLE ____*

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

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area N2</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area N2</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area N2</i>
Metropolitan Water District	\$94,962,540	\$ 1,539	0.0016%	\$132,275,000	\$ 2,144
Palomar Community College District Prop M 2006A	8,072,249	3,923	0.0486	139,270,000	67,684
Palomar Community College District Prop M 2006B	3,330,255	1,618	0.0486	173,498,901	84,319
San Marcos Unified School District SFID 2004-1	2,096,194	6,241	0.2977	6,503,019	19,361
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,294	0.2977	141,424,415	421,052
San Marcos Unified School District Series 2010B	19,204	57	0.2976	64,969,530	193,345
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2977	74,702,799	222,407
Total Overlapping Debt					\$ 1,010,312
Improvement Area N2 Bonded Indebtedness					\$ 1,783,142*
Estimated Share of Direct and Overlapping Debt					\$ 2,793,454*
Improvement Area N2 Assessed Value (Fiscal Year 2013-14)					\$43,980,486
Improvement Area N2 Assessed Value (Fiscal Year 2014-15)					\$49,699,019
Value-to-Lien Ratio (Fiscal Year 2013-14)					15.74*
Value-to-Lien Ratio (Fiscal Year 2014-15)					17.79*

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

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

(3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area N2 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area N2 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

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

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

(6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area N2 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

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

* Preliminary, subject to change.

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

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

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

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

Improvement Area R1

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

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

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

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

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

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

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

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

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

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

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

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

Source: City of San Marcos.

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

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

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

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

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

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

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

Source: David Taussig & Associates, Inc.

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

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area R1 Debt Report") for Improvement Area R1, reflecting the issuance of \$1,978,025* aggregate principal amount of Improvement Area R1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area R1 is \$48,092,162 for the current Fiscal Year. The Improvement Area R1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area R1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area R1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area R1 (inclusive of the Improvement Area R1 Special Tax Refunding Bonds) is \$3,324,405.* The assessed value-to-lien ratio for Improvement Area R1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 14.47* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

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

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area R1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area R1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area R1</i>
Metropolitan Water District	\$94,962,540	\$ 1,538	0.0016%	\$132,275,000	\$ 2,143
Palomar Community College District Prop M 2006A	8,072,249	3,921	0.0486	139,270,000	67,640
Palomar Community College District Prop M 2006B	3,330,255	1,617	0.0486	173,498,901	84,263
San Marcos Unified School District SFID 2004-1	2,096,194	6,237	0.2975	6,503,019	19,348
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,282	0.2975	141,424,415	420,778
San Marcos Unified School District Series 2010B	19,204	57	0.2975	64,969,530	193,278
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2975	74,702,799	222,262
Palomar Health Series 2005A	14,566,919	10,329	0.0709	474,823,578	336,378
Total Overlapping Debt					\$ 1,346,390
Improvement Area R1 Bonded Indebtedness					\$ 1,978,025*
Estimated Share of Direct and Overlapping Debt					\$ 3,324,415*
Improvement Area R1 Assessed Value (Fiscal Year 2013-14)					\$43,951,804
Improvement Area R1 Assessed Value (Fiscal Year 2014-15)					\$48,092,162
Value-to-Lien Ratio (Fiscal Year 2013-14)					13.22*
Value-to-Lien Ratio (Fiscal Year 2014-15)					14.47*

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

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

(3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area R1 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area R1 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

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

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

(6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area R1 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area R1 will be approximately 1.61885%,* as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

* Preliminary, subject to change.

TABLE __
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R1
EFFECTIVE TAX RATE⁽¹⁾

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 552,783**

Ad Valorem Property Taxes	Fiscal Year 2013-14 Tax Rate	Tax Amount⁽³⁾
Base Property Tax Rate	1.00000%	\$ 5,527.83
Metropolitan Water District	0.00350	19.35
Palomar Health 2005A	0.02350	129.90
Palomar Community College District 2006A	0.00892	49.31
Palomar Community College District 2006B	0.00368	20.34
San Marcos Unified School District, SFID 2004-1	0.01419	78.44
San Marcos Unified School District Prop K Series 2010A	0.04387	242.51
San Marcos Unified School District Series 2010B	0.00013	0.72
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.09779%	\$ 6,068.40
Special Taxes, Assessments and Charges	Fiscal Year 2014-15 Average Estimated Rates	Average Maximum Rates
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-19	71.74	71.75
San Marcos CFD No. 99-01, Improvement Area R1 ⁽⁵⁾	<u>2,256.84</u>	<u>2,522.54⁽⁶⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 2,880.34</u>	<u>\$ 3,146.08</u>
TOTAL PROPERTY TAXES	\$ 8,948.74	\$ 9,214.48
TOTAL EFFECTIVE TAX RATE	1.61885%	1.66692%

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

⁽²⁾ Net of exemptions.

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

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

⁽⁵⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁶⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

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

Improvement Area R2

General. Improvement Area R2 is located south of San Marcos Boulevard on the north and south sides of Via Vera Cruz. Improvement Area R2 encompasses a total of 61 detached single family residential units. All 61 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area R2 for the current and prior seven Fiscal Years.

TABLE __
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R2
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$42,185,218	\$ -	\$42,185,218	N/A%	N/A	N/A%
2008-09	40,813,330	-	40,813,330	(3.25)	N/A	(3.25)
2009-10	36,838,115	-	36,838,115	(9.74)	N/A	(9.74)
2010-11	37,054,466	-	37,054,466	0.59	N/A	0.59
2011-12	37,033,082	-	37,033,082	(0.06)	N/A	(0.06)
2012-13	37,032,435	-	37,032,435	0.00	N/A	0.00
2013-14	37,373,766	-	37,373,766	0.92	N/A	0.92
2014-15	42,207,076	-	42,207,076	12.93	N/A	12.93

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

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

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

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

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area R2 for the last five Fiscal Years.

TABLE __
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R2
HISTORY OF DELINQUENCIES

			<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$149,573	61	2	\$3,997	2.67%	0	\$ 0	0.00%
2010-11	146,225	61	1	2,768	1.89	0	0	0.00
2011-12	153,066	61	0	0	0.00	0	0	0.00
2012-13	151,652	61	0	0	0.00	0	0	0.00
2013-14	155,897	61	0	0	0.00	0	0	0.00

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

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area R2.

TABLE ____^{*}
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R2
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
61	\$ 178,619	\$ 155,088	86.83%

⁽¹⁾ All parcels in Improvement Area R2 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area R2's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area R2 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.*

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

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.89% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area R2.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area R2 Debt Report") for Improvement Area R2, reflecting the issuance of \$1,557,203* aggregate principal amount of Improvement Area R2 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area R2 is \$42,207,076 for the current Fiscal Year. The Improvement Area R2 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area R2 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area R2 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area R2 (inclusive of the Improvement Area R2 Special Tax Refunding Bonds) is \$2,702,241.* The assessed value-to-lien ratio for Improvement Area R2 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 15.62* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

TABLE ^{*}
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R2
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area R2</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area R2</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area R2</i>
Metropolitan Water District	\$94,962,540	\$ 1,308	0.0014%	\$132,275,000	\$ 1,822
Palomar Community College District Prop M 2006A	8,072,249	3,334	0.0413	139,270,000	57,517
Palomar Community College District Prop M 2006B	3,330,255	1,375	0.0413	173,498,901	71,651
San Marcos Unified School District SFID 2004-1	2,096,194	5,303	0.2530	6,503,019	16,454
San Marcos Unified School District Prop K Series 2010A	6,480,623	16,396	0.2530	141,424,415	357,801
San Marcos Unified School District Series 2010B	19,204	49	0.2531	64,969,530	164,420
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2530	74,702,799	188,997
Palomar Health Series 2005A	14,566,919	8,783	0.0603	474,823,578	286,290
Total Overlapping Debt					\$ 1,144,952
Improvement Area R2 Bonded Indebtedness					\$ 1,557,203 [*]
Estimated Share of Direct and Overlapping Debt					\$ 2,702,155 [*]
Improvement Area R2 Assessed Value (Fiscal Year 2013-14)					\$37,373,766
Improvement Area R2 Assessed Value (Fiscal Year 2014-15)					\$42,207,076
Value-to-Lien Ratio (Fiscal Year 2013-14)					13.83 [*]
Value-to-Lien Ratio (Fiscal Year 2014-15)					15.62 [*]

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

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

(3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area R2 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area R2 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

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

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

(6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area R2 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area R2 will be approximately 1.55535%,^{*} as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

^{*} Preliminary, subject to change.

TABLE __
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R2
EFFECTIVE TAX RATE⁽¹⁾

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 691,919**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 6,919.19
Metropolitan Water District	0.00350	24.22
Palomar Health 2005A	0.02350	162.60
Palomar Community College District 2006A	0.00892	61.72
Palomar Community College District 2006B	0.00368	25.46
San Marcos Unified School District, SFID 2004-1	0.01419	98.18
San Marcos Unified School District Prop K Series 2010A	0.04387	303.54
San Marcos Unified School District Series 2010B	0.00013	0.90
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.09779%	\$ 7,595.81
Special Taxes, Assessments and Charges	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-19	71.74	71.75
San Marcos CFD No. 99-01, Improvement Area R2 ⁽⁵⁾	<u>2,542.43</u>	<u>2,928.19⁽⁶⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 3,165.93</u>	<u>\$ 3,551.73</u>
TOTAL PROPERTY TAXES	\$ 10,761.74	\$ 11,147.54
TOTAL EFFECTIVE TAX RATE	1.55535%	1.61110%

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

⁽²⁾ Net of exemptions.

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

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

⁽⁵⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁶⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

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

Improvement Area V1A

General. Improvement Area V1A is located along the east side of Wild Canyon Drive and the north side of San Elijo Road. Improvement Area V1A encompasses a total of 64 detached single family residential units. All 64 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area V1A for the current and prior seven Fiscal Years.

TABLE __
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA V1A
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$27,554,884	\$ -	\$27,554,884	N/A%	N/A	N/A%
2008-09	31,422,223	-	31,422,223	14.04	N/A	14.04
2009-10	34,272,413	-	34,272,413	9.07	N/A	9.07
2010-11	35,989,248	-	35,989,248	5.01	N/A	5.01
2011-12	36,014,739	-	36,014,739	0.07	N/A	0.07
2012-13	32,806,511	-	32,806,511	(8.91)	N/A	(8.91)
2013-14	33,297,991	-	33,297,991	1.50	N/A	1.50
2014-15	38,191,193	-	38,191,193	14.70	N/A	14.70

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

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

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

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

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area V1A for the last five Fiscal Years.

TABLE __
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA V1A
HISTORY OF DELINQUENCIES

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$196,777	64	3	\$4,727	2.40%	0	\$ 0	0.00%
2010-11	193,146	64	2	4,631	2.40	0	0	0.00
2011-12	194,750	64	0	0	0.00	0	0	0.00
2012-13	188,238	64	0	0	0.00	0	0	0.00
2013-14	198,599	64	0	0	0.00	0	0	0.00

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

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area V1A.

TABLE ____^{*}
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA V1A
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
64	\$ 238,709	\$ 194,035	81.29%

⁽¹⁾ All parcels in Improvement Area V1A are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area V1A's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area V1A Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,708.*

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

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.64% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area V1A.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area V1A Debt Report") for Improvement Area V1A, reflecting the issuance of \$2,185,000* aggregate principal amount of Improvement Area V1A Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area V1A is \$38,191,193 for the current Fiscal Year. The Improvement Area V1A Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area V1A Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area V1A is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area V1A (inclusive of the Improvement Area V1A Special Tax Refunding Bonds) is \$2,950,001.* The assessed value-to-lien ratio for Improvement Area V1A as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 12.95* to 1. The value-to-lien ratio of individual parcels will vary from this average.

* Preliminary, subject to change.

TABLE ^{*}
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA V1A
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area V1A</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area V1A</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area V1A</i>
Metropolitan Water District	\$94,962,540	\$ 1,166	0.0012%	\$132,275,000	\$ 1,624
Palomar Community College District Prop M 2006A	8,072,249	2,970	0.0368	139,270,000	51,245
Palomar Community College District Prop M 2006B	3,330,255	1,225	0.0368	173,498,901	63,849
San Marcos Unified School District SFID 2004-1	2,096,194	4,725	0.2254	6,503,019	14,659
San Marcos Unified School District Prop K Series 2010A	6,480,623	14,608	0.2254	141,424,415	318,781
San Marcos Unified School District Series 2010B	19,204	43	0.2255	64,969,530	146,523
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2254	74,702,799	168,386
Total Overlapping Debt					\$ 765,057
Improvement Area V1A Bonded Indebtedness					\$ 2,185,000*
Estimated Share of Direct and Overlapping Debt					\$ 2,950,057*
Improvement Area V1A Assessed Value (Fiscal Year 2013-14)					\$33,297,991
Improvement Area V1A Assessed Value (Fiscal Year 2014-15)					\$38,191,193
Value-to-Lien Ratio (Fiscal Year 2013-14)					11.29*
Value-to-Lien Ratio (Fiscal Year 2014-15)					12.95*

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

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

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area V1A was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area V1A special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

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

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

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area V1A has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area V1A will be approximately 1.69412%,* as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

* Preliminary, subject to change.

TABLE __
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA V1A
EFFECTIVE TAX RATE⁽¹⁾

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 596,737**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 5,967.37
Metropolitan Water District	0.00350	20.89
Palomar Community College District 2006A	0.00892	53.23
Palomar Community College District 2006B	0.00368	21.96
San Marcos Unified School District, SFID 2004-1	0.01419	84.68
San Marcos Unified School District Prop K Series 2010A	0.04387	261.79
San Marcos Unified School District Series 2010B	0.00013	0.78
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 6,410.70
Special Taxes, Assessments and Charges	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area V1A ⁽⁶⁾	<u>3,031.80</u>	<u>3,729.83⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	\$ 3,698.78	\$ 5,045.22
TOTAL PROPERTY TAXES	\$ 10,109.48	\$ 11,455.92
TOTAL EFFECTIVE TAX RATE	1.69412%	1.91976%

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

⁽²⁾ Net of exemptions.

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

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

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

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

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

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

COMMUNITY FACILITIES DISTRICT NO. 91-01

General

CFD No. 91-01 was formed in 1991 for the purpose of financing the construction and acquisition of capital facilities for the benefit of the area within the boundaries of CFD No. 91-01. CFD No. 91-01 consists of approximately 323 acres bounded generally by Twin Oaks Valley Road to the west, La Cienega Road to the north and northeast, Mulberry Drive to the east and Woodward Street to the east and southeast. CFD No. 91-01 encompasses a total of 292 detached single family residential units and the 18-hole Twin Oaks Valley Ranch golf course. The Twin Oaks Valley Ranch golf course commenced operations in 1993 and is open to the public. All 292 units have been constructed and sold to individual property owners. 78 residential units have prepaid their Special Tax obligations. 76 of such prepayments occurred prior to 2000, and the last such prepayments occurred on May 2011.

Special Tax Tables

Historic Assessed Values. The table below sets forth historic assessed values within CFD No. 91-01 for the current and prior seven Fiscal Years.

TABLE __
COMMUNITY FACILITIES DISTRICT NO. 91-01
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$77,097,123	\$9,265,471	\$86,362,594	N/A%	N/A%	N/A%
2008-09	78,670,442	9,450,770	88,121,212	2.04	2.00	2.04
2009-10	71,349,312 ⁽⁴⁾	9,639,774	80,989,086	(9.31)	2.00	(8.09)
2010-11	71,637,353	9,616,918	81,254,271	0.40	(0.24)	0.33
2011-12	72,308,793	9,689,319	81,998,112	0.94	0.75	0.92
2012-13	73,085,559	5,231,955 ⁽⁵⁾	78,317,514	1.07	(46.00)	(4.49)
2013-14	75,685,906	5,225,000	80,910,906	3.56	(0.13)	3.31
2014-15	81,119,586	5,225,000	86,344,586	7.18	0.00	6.72

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

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

⁽³⁾ Reflects assessed value of Twin Oaks Valley Ranch golf course.

⁽⁴⁾ Increase in assessed value reflects [____].

⁽⁵⁾ Decrease in assessed value reflects [____].

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

Delinquency History. The following table summarizes the historical delinquencies for CFD No. 91-01 for the last five Fiscal Years.

TABLE ____
COMMUNITY FACILITIES DISTRICT NO. 91-01
HISTORY OF DELINQUENCIES

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$353,896	226	2	\$2,307	0.65%	0	\$ 0	0.00%
2010-11	358,491	226	4	3,476	0.97	0	0	0.00
2011-12	362,358	225	4	4,384	1.21	0	0	0.00
2012-13	373,792	225	2	1,733	0.46	0	0	0.00
2013-14	360,590	225	1	1,115	0.31	1	1,115	0.31

⁽¹⁾ As of June 30 of each Fiscal Year shown.
Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for CFD No. 91-01. Approximately 11.38% of the Special Tax levy for CFD No. 91-01 is expected to be on the parcels that comprise the Twin Oaks Valley Ranch golf course. See the caption “— General.”

TABLE ____*
COMMUNITY FACILITIES DISTRICT NO. 91-01
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY

<i>Development Status</i>	<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax</i>
Residential	\$ 214	\$ 389,320	\$ 327,792	84.20%
Golf Course	<u>11</u>	<u>50,000</u>	<u>42,104</u>	<u>84.21</u>
	225	\$ 439,320	\$ 369,896	84.20

⁽¹⁾ Reflects Special Tax rates prescribed by CFD No. 91-01’s Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within CFD No. 91-01 by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽²⁾ Includes debt service on the CFD No. 91-01 Prior Special Tax Bonds and Administrative Expenses in the amount of \$50,000.*

⁽³⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.
Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 5.27% of the Fiscal Year 2014-15 Special Tax levy in CFD No. 91-01.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the “CFD No. 91-01 Debt Report”) for CFD No. 91-01, reflecting the issuance of \$1,461,451* aggregate principal amount of CFD No. 91-01 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within CFD No. 91-01 is \$86,344,586 for the current Fiscal Year. The CFD No. 91-01 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 91-01, the City nor the

* Preliminary, subject to change.

Underwriter has independently verified the information in the CFD No. 91-01 Debt Report and do not guarantee its completeness or accuracy.

The property within CFD No. 91-01 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to CFD No. 91-01 (inclusive of the CFD No. 91-01 Special Tax Refunding Bonds) is \$3,904,246.* The assessed value-to-lien ratio for CFD No. 91-01 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 22.12* to 1. The value-to-lien ratio of individual parcels will vary from this average.

TABLE ____*
COMMUNITY FACILITIES DISTRICT NO. 91-01
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To CFD No. 91-01</i> ⁽³⁾	<i>% of Levy Applicable To CFD No. 91-01</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To CFD No. 91-01</i>
Metropolitan Water District	\$94,962,540	\$ 2,832	0.0030%	\$132,275,000	\$ 3,945
Palomar Community College District Prop M 2006A	8,072,249	7,217	0.0894	139,270,000	124,522
Palomar Community College District Prop M 2006B	3,330,255	2,978	0.0894	173,498,901	155,125
San Marcos Unified School District Prop K Series 2010A	6,480,623	35,496	0.5477	141,424,415	774,610
San Marcos Unified School District Series 2010B	19,204	105	0.5477	64,969,530	355,836
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.5477	74,702,799	409,162
Palomar Health Series 2005A	14,566,919	19,014	0.1305	474,823,578	619,788
Total Overlapping Debt					\$ 2,442,988
CFD No. 91-01 Bonded Indebtedness					\$ 1,461,451*
Estimated Share of Direct and Overlapping Debt					\$ 3,904,439*
CFD No. 91-01 Assessed Value (Fiscal Year 2013-14)					\$80,910,906
CFD No. 91-01 Assessed Value (Fiscal Year 2014-15)					\$86,344,586
Value-to-Lien Ratio (Fiscal Year 2013-14)					20.72*
Value-to-Lien Ratio (Fiscal Year 2014-15)					22.11 ^{(7)*}

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

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

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to CFD No. 91-01 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to CFD No. 91-01 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

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

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

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to CFD No. 91-01 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

⁽⁷⁾ The value-to-lien ratio for the parcels that comprise the Twin Oaks Valley Ranch golf course is 22.79.* See the caption "— General."

Source: David Taussig & Associates, Inc.

* Preliminary, subject to change.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate for residential properties within CFD No. 91-01 will be approximately 1.55978%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

TABLE __
COMMUNITY FACILITIES DISTRICT NO. 91-01
EFFECTIVE TAX RATE⁽¹⁾

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾		\$ 379,063
	<i>Fiscal Year</i>	
	<i>2013-14</i>	
Ad Valorem Property Taxes	<i>Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 3,790.63
Metropolitan Water District	0.00350	13.27
Palomar Health 2005A	0.02350	89.08
Palomar Community College District 2006A	0.00892	33.81
Palomar Community College District 2006B	0.00368	13.95
San Marcos Unified School District Prop K Series 2010A	0.04387	166.30
San Marcos Unified School District Series 2010B	0.00013	0.49
San Marcos Unified School District Series 2010C ⁽⁴⁾	0.00000	0.00
Subtotal Ad Valorem Property Tax Rate/Taxes	1.08360%	\$ 4,107.53
	<i>Fiscal Year</i>	
	<i>2014-15</i>	
	<i>Average</i>	
Special Taxes, Assessments and Charges	<i>Estimated</i>	<i>Average</i>
	<i>Rates</i>	<i>Maximum Rates</i>
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD No. 91-02	201.46	201.47
San Marcos LMD No. 1	43.94	43.94
San Marcos CFD No. 91-01 ⁽⁵⁾	1,531.74	1,819.25 ⁽⁶⁾
Subtotal Special Taxes, Assessments and Charges	<u>\$ 1,805.02</u>	<u>\$ 2,092.54</u>
TOTAL PROPERTY TAXES	\$ 5,912.55	\$ 6,200.07
TOTAL EFFECTIVE TAX RATE	1.55978%	1.63563%

⁽¹⁾ Reflects effective tax rate for residential properties with CFD No. 91-01 only. Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

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

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

⁽⁵⁾ Based on debt service for Prior Special Tax Bonds issued by CFD No. 91-01.

⁽⁶⁾ Reflects maximum Special Tax rates prescribed by CFD No. 91-01's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within CFD No. 91-01 by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

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

ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS

The following tables set forth the number of parcels within various ranges of estimated assessed value-to-lien ratios for each Improvement Area and CFD No. 91-01 based on the Fiscal Year 2014-15 assessed valuation and the total outstanding principal amount of the Special Tax Refunding Bonds relating to such Improvement Area and CFD No. 91-01. As summarized below, the estimated assessed value-to-lien ratio for all parcels within the Improvement Areas and CFD No. 91-01 is approximately 17.39* to 1, but the ratios over individual parcels vary widely. The value of the individual parcels is significant because, in the event of a delinquency in payment, the Community Facilities Districts' only remedy is to foreclose on the delinquent parcel. A parcel with a lower value-to-lien ratio may be less likely to sell at foreclosure or provide sale proceeds adequate to pay all delinquent Special Tax installments.

TABLE __*
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREAS A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2 AND V1A
AND COMMUNITY FACILITIES DISTRICT NO. 91-01
SUMMARY OF ESTIMATED ASSESSED VALUE-TO-LIEN BY RATIO
(FISCAL YEAR 2014-15)

<i>Estimated Assessed Value- to-Lien</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2014-15 Special Tax*</i>	<i>Percentage of Fiscal Year 2014-15 Special Tax*</i>	<i>Fiscal Year 2014-15 Maximum Special Tax*</i>	<i>Percentage of Fiscal Year 2014-15 Maximum Special Tax*</i>	<i>Allocable Share of Special Tax Refunding Bonds^{(1)*}</i>	<i>Percentage of Total Special Tax Refunding Bonds*</i>	<i>Allocable Share of Direct and Overlapping Debt⁽²⁾⁽³⁾</i>	<i>Fiscal Year 2013- 14 Assessed Value</i>	<i>Estimated Assessed Value to Debt^{(4)*}</i>
20:1 or better	401	\$ 669,435	19.22%	\$ 1,207,260	26.68%	\$ 6,336,310	19.22%	\$ 10,551,226	\$ 239,829,040	22.73
15:1 to 19.99:1	979	1,928,979	55.39	2,268,202	50.13	18,258,084	55.39	30,022,042	521,686,246	17.38
10:1 to 14.99:1	322	806,518	23.16	955,877	21.13	7,633,822	23.16	11,364,659	150,924,047	13.28
5:1 to 9.99:1	21	66,272	1.90	79,081	1.75	627,273	1.90	797,967	6,470,774	8.11
Less than 5:1	5 ⁽⁵⁾	11,570	0.33	13,836	0.31	109,511	0.33	121,490	470,772	3.87
Total⁽⁶⁾	<u>1,728⁽⁷⁾</u>	<u>\$ 3,482,774</u>	<u>100.00%</u>	<u>\$ 4,524,256</u>	<u>100.00%</u>	<u>\$ 32,965,000</u>	<u>100.00%</u>	<u>\$ 52,857,384</u>	<u>\$ 919,380,879</u>	<u>17.39</u>

⁽¹⁾ Calculated by multiplying the Percentage of Fiscal Year 2014-15 Special Tax by the total Special Tax Refunding Bonds principal amount of \$32,965,000.*

⁽²⁾ Includes overlapping debt from Metropolitan Water District, Palomar Community College District, San Marcos Unified School District, and Palomar Health.

⁽³⁾ The Allocable Share of Debt and Overlapping Debt were estimated by multiplying the Fiscal Year 2013-14 assessed value of subject parcels by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County of San Diego Auditor-Controller Property Tax Services.

⁽⁴⁾ Calculated by dividing the Fiscal Year 2014-15 Net Assessed Value column by the Allocable Share of Direct and Overlapping Debt column.

⁽⁵⁾ Three of such parcels have reduced assessed value due to Proposition 60/90, which allows property owners aged 55 and older to transfer the base year value of a sold home to a replacement home of equal or lesser value within the same county (Proposition 60), or to another county in the State (Proposition 90). One such parcel was purchased in 1995 and has an assessed value based on the year of purchase. One such parcel has no improvement value.

⁽⁶⁾ Amounts may not add due to rounding.

⁽⁷⁾ Includes 1,527 residential parcels in the Improvement Areas, 214 residential parcels in CFD No. 91-01 and 11 golf course parcels in CFD No. 91-01. Differs from amount set forth in Table __ under the caption "SPECIAL RISK FACTORS—The Bonds are Limited Obligations of the Authority" for the reasons set forth in footnotes (1) and (2) to Table __.

Source: David Taussig & Associates, Inc.

* Preliminary, subject to change.

TABLE *
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREAS A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2 AND V1A
AND COMMUNITY FACILITIES DISTRICT NO. 91-01
ESTIMATED ASSESSED VALUE-TO-LIEN SUMMARY

Area	Principal Amount of Special Tax Refunding Bonds*	Direct and Overlapping Debt	Net Assessed Value	Fiscal Year 2013-14		Fiscal Year 2014-15	
				Estimated Net Assessed Value to Direct and Overlapping Debt ^{(1)*}		Estimated Net Assessed Value to Direct and Overlapping Debt ^{(1)*}	
Improvement Area A1	\$ 1,515,113	\$ 2,524,843	\$ 43,942,659	17.41	\$ 47,671,259	18.88	
Improvement Area A2	1,606,386	2,602,371	43,347,791	16.66	46,337,161	17.81	
Improvement Area B1	1,523,206	2,573,226	45,712,050	17.76	49,919,912	19.40	
Improvement Area B2	1,300,869	2,322,182	44,458,020	19.14	49,729,042	21.41	
Improvement Area C1	2,454,712	3,491,872	45,150,656	12.93	52,581,957	15.06	
Improvement Area D1	1,329,956	2,222,181	38,843,618	17.48	43,543,377	19.59	
Improvement Area F2/V2	2,555,000	3,918,002	59,340,691	15.15	86,618,485	22.11	
Improvement Area G3	974,735	1,559,158	25,426,056	16.31	27,664,347	17.74	
Improvement Area H1A	1,058,240	1,747,017	29,974,919	17.16	33,337,675	19.08	
Improvement Area H1B	977,437	1,593,133	26,800,010	16.82	29,248,644	18.36	
Improvement Area J	3,705,000	4,663,206	41,709,009	8.94	48,734,833	10.45	
Improvement Area M	3,090,327	4,922,046	79,731,284	16.20	84,361,313	17.14	
Improvement Area N1	1,909,199	3,043,784	49,390,065	16.23	55,098,838	18.10	
Improvement Area N2	1,783,142	2,793,454	43,980,486	15.74	49,699,019	17.79	
Improvement Area R1	1,978,025	3,324,415	43,951,804	13.22	48,092,162	14.47	
Improvement Area R2	1,557,203	2,702,155	37,373,766	13.83	42,207,076	15.62	
Improvement Area V1A	2,185,000	2,950,057	33,297,991	11.29	38,191,193	12.95	
CFD No. 91-01	1,461,451	3,904,439	80,910,906	20.72	86,344,586	22.11	
Total	\$ 32,965,000	\$ 52,857,384	\$ 813,341,781	15.39	\$ 919,380,879	17.39	

⁽¹⁾ Calculated by dividing the Net Assessed Value column by the Direct and Overlapping Debt column.

Source: David Taussig & Associates, Inc.

SPECIAL RISK FACTORS

There are certain risks associated with the purchase of the Bonds and the following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the Bonds.

The Bonds are Limited Obligations of the Authority

Funds for the payment of the principal of and the interest on the Bonds are derived from debt service payments on the Special Tax Refunding Bonds, which are derived only from annual payments of Special Taxes. The amount of annual installments of Special Taxes that are collected could be insufficient to pay principal of and interest on the Special Tax Refunding Bonds due to non-payment of such Special Taxes levied or due to insufficient proceeds received from a judicial foreclosure sale of land within the Improvement Areas or CFD No. 91-01, as applicable, following delinquency. The City's and Community Facilities Districts' legal obligations with respect to any delinquent Special Taxes are limited to: (1) payments from the Reserve Fund to the extent of funds on deposit therein; and (2) the institution of judicial foreclosure proceedings under certain

* Preliminary, subject to change.

circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption “SECURITY FOR THE BONDS—Covenant to Foreclose.” The Bonds cannot be accelerated in the event of any default.

The obligation to pay Special Taxes does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to such liens. Enforcement of Special Tax payment obligations by the Community Facilities Districts is limited to judicial foreclosure in the Superior Court of California, County of San Diego. There is no assurance that any current or subsequent owner of a parcel subject to a Special Tax lien will be able to pay the amounts due or that such owner will choose to pay such amounts even though financially able to do so.

The number of parcels subject to the Special Taxes in each year in which the Bonds are outstanding, assuming no further prepayment of Special Taxes, is set forth in the below table.

TABLE __
COMMUNITY FACILITIES DISTRICT NOS. 99-01 AND 91-01
NUMBER OF RESIDENTIAL PARCELS PER IMPROVEMENT AREA / CFD NO. 91-01

<i>Levy Year</i>	<i>CFD No. 99-01 Improvement Area</i>																	<i>CFD No.</i>	<i>Total⁽³⁾</i>
	<i>A1</i>	<i>A2</i>	<i>B1</i>	<i>B2</i>	<i>C1</i>	<i>D1</i>	<i>F2/V2⁽¹⁾</i>	<i>G3</i>	<i>H1A</i>	<i>H1B</i>	<i>J</i>	<i>M</i>	<i>N1</i>	<i>N2</i>	<i>R1</i>	<i>R2</i>	<i>V1A</i>	<i>91-01⁽²⁾</i>	All Areas
2015	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2016	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2017	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2018	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2019	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2020	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2021	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2022	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2023	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2024	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2025	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2026	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2027	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2028	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2029	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2030	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2031	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2032	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2033	-	85	93	-	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,338
2034	-	-	-	-	162	-	173	-	-	49	71	-	-	76	87	61	64	-	743
2035	-	-	-	-	-	-	173	-	-	-	71	-	-	-	-	-	64	-	308
2036	-	-	-	-	-	-	173	-	-	-	71	-	-	-	-	-	64	-	308
2037	-	-	-	-	-	-	173	-	-	-	71	-	-	-	-	-	64	-	308
2038	-	-	-	-	-	-	173	-	-	-	71	-	-	-	-	-	64	-	308

⁽¹⁾ This Improvement Area currently includes 149 parcels. One parcel is intended for the construction of 25 condominium units, which are expected to be subdivided. Four of such units remain to be sold. See the caption “COMMUNITY FACILITIES DISTRICT NO. 99-01—Improvement Area F2/V2—General.”

⁽²⁾ Excludes 11 parcels which comprise the Twin Oaks Valley Ranch golf course. See the caption “COMMUNITY FACILITIES DISTRICT NO. 91-01—General.”

⁽³⁾ Number of parcels differs from amount set forth in Table __ under the caption “ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS” for the reasons described in footnotes (1) and (2) above.

Source: Stifel, Nicolaus & Company, Inc.

The Special Tax Refunding Bonds are Limited Obligations

The obligation of the Community Facilities Districts, as the issuers of the Special Tax Refunding Bonds, to advance the amount of delinquencies to the Trustee, as the registered holder of the Special Tax Refunding Bonds, is strictly limited to funds on deposit in the Reserve Fund established and held by the Trustee pursuant to the Indenture. The City has no liability for any payments due on the Special Tax Refunding Bonds issued by the Community Facilities Districts.

Failure by owners of the parcels to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the City or the Community Facilities Districts to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the City or the Community Facilities Districts to make full or timely payments of debt service on the Bonds, which may in turn result in the depletion of the Reserve Fund and the inability of the Authority to make full or timely payment on the Bonds.

The Special Taxes are Not Personal Obligations of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the Community Facilities Districts have no recourse against the owner and their only remedy is to pursue judicial foreclosure on the delinquent parcel.

Potential Early Redemption of Bonds from Prepayments

Property owners within the Improvement Areas and CFD No. 91-01 are permitted to prepay their Special Taxes at any time. Such prepayments will result in a redemption of Special Tax Refunding Bonds on the first March 1 or September 1 which is more than 30 days following the receipt of the prepayment. The proceeds of the Special Tax Refunding Bonds so redeemed will then be used to make a mandatory redemption of the Bonds. The Bonds will be called from the proceeds of the Special Tax Refunding Bonds redeemed from prepayments as set forth under the caption “THE BONDS—Redemption—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds.”

Risks of Real Estate Secured Investments Generally

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Community Facilities Districts, the supply of or demand for competitive properties in such area and the market value of comparable residential property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to threatened and endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, tsunamis, fires, landslides and floods), which may result in uninsured losses.

Because assessed values do not necessarily indicate fair market values, the declines in fair market values in recent years may have been even greater than the declines in assessed valuations. No assurance can be given that the individual homeowners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “—Bankruptcy and Foreclosure Delays” for a discussion of certain limitations on the Community Facilities Districts’ ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

No property owner in any Improvement Area and CFD No. 91-01 is presently responsible for more than 12.18%* of the Special Taxes levied within the applicable Improvement Area or CFD No. 91-01. See the captions “COMMUNITY FACILITIES DISTRICT NO. 99-01” and “COMMUNITY FACILITIES DISTRICT NO. 91-01.” There may be subsequent transfers of ownership of the property within the Improvement Areas and CFD No. 91-01. Failure of the owners of property to pay the annual Special Taxes when due could result in a default in payments of the principal of and interest on the Special Tax Refunding Bonds, which could result in the inability of the Authority to make payments of the principal of and interest on the Bonds when due. Such risk may be greater or its consequence more severe when ownership is concentrated and may be expected to decrease as ownership is diversified through development and sales.

Additionally, pursuant to the CFD Act, under no circumstances will the Special Taxes levied against any parcel of residential property within the Community Facilities Districts be increased as a consequence of delinquency or default by the owner of any other parcel by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquency or default. As a result, it may not be possible to levy Special Taxes at the maximum Special Tax amount.

Insufficiency of Special Taxes

Notwithstanding the fact that the maximum Special Taxes that may be levied in each Improvement Area and CFD No. 91-01 exceed debt service due on the related series of Special Tax Refunding Bonds, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation as permitted in the Rates and Methods for each Improvement Area and CFD No. 91-01.

In the event of significant delinquencies in an Improvement Area or CFD No. 91-01, as applicable, causing a default in payment of debt service on the related series of Special Tax Refunding Bonds and depletion of all amounts on deposit in the Reserve Fund, there would not be sufficient Special Tax Revenues to pay the full amount of annual debt service on the Bonds until the delinquent Special Taxes were collected through foreclosure action or otherwise. See the caption “—Bankruptcy and Foreclosure Delays” for a discussion of potential delays in foreclosure actions.

The CFD Act provides that, if any property within the Improvement Areas or CFD No. 91-01, as applicable, that is not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the CFD Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the CFD Act have not been tested in the courts. In particular, insofar as the CFD Act requires payment of the Special Tax by a federal entity acquiring property in the Community Facilities Districts, it may be unconstitutional. See the caption “—FDIC/Federal Government Interests in Properties.” If for any reason property in a Community Facilities District becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government or another public agency, subject to the limitation of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties in the applicable Community Facilities District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax. Moreover, due to the problems of collecting taxes from public agencies, if a substantial

* Such parcel is expected to be subdivided into 25 parcels. See the caption “COMMUNITY FACILITIES DISTRICT NO. 99-01—Improvement Area F2/V2—General.” Assuming such subdivision, the largest property owner within the Improvement Areas and CFD No. 91-01 is the owner of certain parcels comprising the Twin Oaks Valley Ranch golf course. Such owner is responsible for approximately 5.27% of the Special Taxes levied within CFD No. 91-01.

portion of land within the Improvement Areas or CFD No. 91-01, as applicable, were to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due, and a default could occur with respect to the payment of such principal and interest.

Bankruptcy and Foreclosure Delays

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the Community Facilities Districts to foreclose the lien of delinquent unpaid Special Taxes pursuant to its covenant to pursue judicial foreclosure proceedings set forth in the Special Tax Refunding Bonds Fiscal Agent Agreements (see the caption "SECURITY FOR THE BONDS—Covenant to Foreclose") may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed for many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the United States Bankruptcy Code might prevent moneys on deposit in the Special Tax Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Although a bankruptcy proceeding would not cause the lien of the Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by a bankruptcy court. In addition, the bankruptcy of a property owner could result in a stay of enforcement or other delay in procuring Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Special Taxes. If enough parcels were involved in bankruptcy proceedings, court delays would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments, including the Bonds and the Special Tax Refunding Bonds, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if a court concludes that the ability to pay such taxes or assessments is materially affected by reason of such service.

FDIC/Federal Government Interests in Properties

General. The ability of the Community Facilities Districts to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agencies such as the Federal National Mortgage Association ("FNMA") or Freddie Mac, has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

The foregoing is generally interpreted to mean that, unless the United States Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the Improvement Areas or CFD No. 91-01, as applicable, but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable State and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless the United States Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the applicable Community Facilities District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* 597 F.2d 174 (9th Cir. 1979), the United States Court of Appeal, Ninth Circuit (the “Ninth Circuit”), held that FNMA is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. For a discussion of risks associated with taxable parcels within the Improvement Areas or CFD No. 91-01, as applicable, becoming owned by the federal government, federal government entities or federal government sponsored entities, see the caption “—Insufficiency of Special Taxes.”

The Community Facilities Districts have not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the Improvement Areas or CFD No. 91-01, as applicable, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the Improvement Areas or CFD No. 91-01, as applicable, is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the applicable Community Facilities District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent that the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC’s consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC’s consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent that it

purports to secure the payment of any such amounts. Special taxes imposed under the CFD Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from CFD Act special taxes.

The Community Facilities Districts are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within any Improvement Area or CFD No. 91-01, as applicable, if the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes from being foreclosed at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Direct and Overlapping Debt

Neither the Authority, the City nor the Community Facilities Districts have control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within the Improvement Areas or CFD No. 91-01, as applicable, which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the property within the Improvement Areas or CFD No. 91-01, as applicable. Other public agencies may issue additional indebtedness on property within the Improvement Areas or CFD No. 91-01, as applicable, at any time. Furthermore, nothing prevents the owners of property within the Improvement Areas or CFD No. 91-01, as applicable, from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes on a parity with the Special Taxes or assessments which would be subordinate to the Special Taxes. To the extent that such indebtedness is payable from assessments, other special taxes levied pursuant to the CFD Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within the Improvement Areas or CFD No. 91-01, as applicable.

Accordingly, the debt on the property within the Improvement Areas or CFD No. 91-01, as applicable, could increase, without any corresponding increase in the value of the property therein. The imposition of such additional indebtedness could reduce the willingness and ability of the property owners within the Improvement Areas or CFD No. 91-01, as applicable, to pay the Special Taxes when due. See the caption "—Cumulative Burden of Parity Taxes and Special Assessments." Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See the caption "—Land Values."

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The Community Facilities Districts have caused a notice of the Special Tax lien to be recorded in the Office of the Recorder of the County of San Diego against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the Improvement Areas or CFD No. 91-01, as applicable, or lending of money thereon.

The CFD Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code

§ 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Natural Disasters

The Community Facilities Districts, like all California communities, may be subject to unpredictable seismic activity, fires due to the vegetation and topography, tsunamis, high winds, landslides or flooding in the event of unseasonable rainfall. The occurrence of seismic activity, fires, tsunamis, high winds, landslides or flooding in or around the Community Facilities Districts could result in substantial damage to properties in the Community Facilities Districts which, in turn, could substantially reduce the value of such properties. As a result of the occurrence of such an event, a substantial portion of the property owners may be unable or unwilling to pay the Special Tax installments when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in the Community Facilities Districts could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Tax installments.

In recent years, including 2007 and 2014, portions of the City have experienced outbreaks of wildfires that have burned hundreds of acres at a time and destroyed dozens of homes and structures. Such wildfires have occurred in San Diego County, affecting parts of the City near the Community Facilities Districts and resulting in the destruction of homes.

Land Values

The value of land within the Improvement Areas and CFD No. 91-01 is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of a Special Tax installment, the Community Facilities Districts' only remedy is to commence foreclosure proceedings on such property. Prospective purchasers of the Bonds should not assume that the property within the Improvement Areas and CFD No. 91-01 could be sold for the assessed value described herein at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments. Reductions in property values within the Improvement Areas and CFD No. 91-01 due to a downturn in the economy or the real estate market, events such as earthquakes, wildfires, droughts, tsunamis, high winds, landslides or floods, stricter land use regulations, threatened or endangered species or other events may adversely impact the security underlying the liens. The property within the Improvement Areas and CFD No. 91-01 is substantially developed.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the San Diego County Assessor, generally not to exceed an increase of more than 2% per Fiscal Year as limited by Proposition 13, as amended by Proposition 8. Recently, several counties in the State, including the County of San Diego, have reassessed certain properties acquired in recent years at the peak of the real estate market. The Authority is aware that the County of San Diego Assessor made reductions in Fiscal Year 2008-09 and 2009-10 assessed values within the Community Facilities Districts and the City generally. The Authority cannot predict whether the County of San Diego will further reduce assessed values within the Improvement Areas and CFD No. 91-01 in future years. However, many of the homes within the Improvement Areas and CFD No 91-01 were purchased after 2004 at the height of the San Diego real estate market. Accordingly, if the County of San Diego did decide to broadly reassess recent home transactions in the County of San Diego, it is possible that in future years the assessed values shown in this Official Statement could be adjusted downward from the values reflected on the Fiscal Year 2014-15 Assessor's Roll. No assurance can be given that Fiscal Year 2014-15 assessed values reflect market values or that a parcel could actually be sold for its assessed value.

The actual market value of the property is subject to future events such as a downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in the Improvement Areas and CFD No. 91-01, which is the security for the Special Tax Refunding Bonds, which secure the Bonds. As discussed herein, many factors could adversely affect property values within the Improvement Areas and CFD No. 91-01.

Hazardous Substances

A claim with regard to a hazardous substance on a parcel of land subject to any of the Special Taxes can result in a significant potential reduction in the value of the parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is well known, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the Improvement Areas or CFD No. 91-01 be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition because the prospective purchaser of such a parcel will, upon becoming the owner of such parcel, become obligated to remedy the condition just as the seller of such a parcel is obligated to remedy the condition.

Hazardous substance liabilities may arise in the future with respect to any of the parcels within the Improvement Areas or CFD No. 91-01 resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel and could result in substantial delays in completing planned development on parcels that are currently undeveloped.

Cumulative Burden of Parity Taxes and Special Assessments

Property within the Improvement Areas and CFD No. 91-01 is subject to taxes imposed by public agencies that also have jurisdiction over the land within the Improvement Areas and CFD No. 91-01, as applicable. See the captions “COMMUNITY FACILITIES DISTRICT NO. 99-01” and “COMMUNITY FACILITIES DISTRICT NO. 91-01.”

The Special Taxes constitute a lien against the parcels of land on which they have been levied. Such lien is on a parity with all special taxes or assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes, regardless of when they are imposed upon the same property.

Neither the Authority, the City nor the Community Facilities Districts have control over the ability of other entities to issue indebtedness secured by *ad valorem* taxes, special taxes or assessments levied on all or a portion of the property within the Improvement Areas and CFD No. 91-01. In addition, the owners of the property within the Improvements Areas and CFD No. 91-01 may, without the consent or knowledge of the Authority, the City or the Community Facilities Districts, petition other public agencies to issue public indebtedness secured by *ad valorem* taxes, special taxes or assessments. The property within the Improvement Areas and CFD No. 91-01 is subject to a number of overlapping tax and assessment liens, some of which secure outstanding indebtedness. See the captions “COMMUNITY FACILITIES DISTRICT NO. 99-01” and “COMMUNITY FACILITIES DISTRICT NO. 91-01.”

Loss of Tax Exemption

As discussed under the caption “CONCLUDING INFORMATION—Tax Matters,” in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority, the City and the Community Facilities Districts have covenanted in the Indenture and the Special Tax Refunding Bonds Fiscal Agent Agreements, respectively, not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date that the Bonds were issued, as a result of acts or omissions of the Authority, the City or the Community Facilities Districts in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain Outstanding to maturity or until redeemed under the optional or mandatory redemption provisions of the Indenture.

California Constitution Article XIII C and Article XIII D

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain, among other things, a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Among other things, Section 3 of Article XIII C states that “... the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The CFD Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the CFD Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the CFD Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the initiative has not conferred on the voters the power to repeal or reduce Special Taxes if such reduction would interfere with the timely retirement of the Special Tax Refunding Bonds. The provisions of the initiative relating to the exercise of the initiative power have not been interpreted by the courts and no assurance can be given as to the outcome of any such litigation.

It may be possible, however, for voters or the City Council, acting as the legislative body of the Community Facilities Districts, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the Community Facilities Districts have covenanted that they will not initiate proceedings under the CFD Act to reduce the maximum Special Tax rates on parcels within the Improvement Areas or CFD No. 91-01, as applicable, to less than an amount equal to 110% of maximum annual debt service on the respective Special Tax Refunding Bonds. The Community Facilities Districts have

further covenanted that, in the event that an initiative is adopted which purports to alter the respective Rates and Methods, the Community Facilities Districts will commence and pursue legal action in order to preserve their ability to comply with the foregoing covenant. See the caption “SECURITY FOR THE BONDS—Levy and Collection of Special Taxes—General.” However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of Articles XIII C and XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at the current time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See the caption “—Limitations on Remedies.”

No Acceleration

Under the Indenture and the Special Tax Refunding Bonds Fiscal Agent Agreements, neither the Bonds nor the Special Tax Refunding Bonds, respectively, are subject to acceleration in the event of payment default or in the event that interest on the Bonds becomes included in gross income for federal income tax purposes. Similarly, there is no provision in the CFD Act, the Indenture or the Special Tax Refunding Bonds Fiscal Agent Agreements for the acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within an Improvement Area or CFD No. 91-01, as applicable, or otherwise, or upon any adverse change in the tax status of interest on the Bonds.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the Community Facilities Districts have committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bondowners on a timely basis. See the caption “CONCLUDING INFORMATION—Continuing Disclosure.” The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Limitations on Remedies

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest and premium, if any, on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds, the Indenture and the Special Tax Refunding Bonds Fiscal Agent Agreements to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditors’ rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the Community Facilities Districts, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by

the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State. See the captions “—Bankruptcy and Foreclosure Delays,” and “—FDIC/Federal Government Interests in Properties.”

Shapiro Decision

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the “Court”), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD is a financing district established under the City of San Diego’s charter (the “Charter”) and was intended to function much like a community facilities district established under the provisions of the CFD Act. The CCFD is comprised of all of the real property in the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was an election limited to owners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the CFD Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election did not comply with applicable requirements of Article XIII A, Section 4 thereof and Article XIII C, Section 2 of the California Constitution, or with applicable provisions of the City of San Diego’s Charter, because the electors in such an election were not the registered voters residing within the district.

In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (*viz.*, all of the registered voters in the City of San Diego). In the case of the Community Facilities Districts, there were no registered voters within the Community Facilities Districts at the time of the elections to authorize the special tax levy for each Community Facilities District. In *City of San Diego*, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the CFD Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the special tax election in the Community Facilities Districts. Moreover, Section 53341 of the CFD Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the CFD Act provides that any action to determine the validity of bonds issued pursuant to the CFD Act or the levy of special taxes authorized pursuant to the CFD Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the special tax and the issuance of bonds for CFD No. 91-01 and CFD No. 99-01 in compliance with all applicable requirements of the CFD Act at the time of formation of CFD No. 91-01 or each Improvement Area within CFD No. 99-01, as applicable. Therefore, under the provisions of Sections 53341 and 53359 of the CFD Act, the statute of limitations period to challenge the validity of the special tax for each Community Facilities District has expired.

CONCLUDING INFORMATION

Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) pursuant to a Bond Purchase Agreement, dated October __, 2014 (the “Purchase Agreement”), by and among the Underwriter, the Authority, CFD No. 99-01 and CFD No. 91-01. The Underwriter has agreed to purchase the Bonds at a price of \$_____ (being the aggregate principal amount thereof, plus/less a net original issue premium/discount of \$_____ and less an Underwriter’s discount of \$_____). The Purchase Agreement

provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, the Authority or the Community Facilities Districts, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City, the Authority or the Community Facilities Districts.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Financial Advisor

Fieldman, Rolapp & Associates, Irvine, California (the “Financial Advisor”), served as financial advisor with respect to the sale of the Bonds. The Financial Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

Legal Opinion; Legal Matters

The legality of the Bonds and certain other legal matters are subject to the approval of Best Best & Krieger LLP, Bond Counsel. Bond Counsel will render an opinion with respect to the validity and enforceability of the Bonds and the Indenture, and a copy of the opinion will accompany each Bond. Such opinion will be subject to the various assumptions, exceptions and limitations stated therein. Bond Counsel also will render an opinion with respect to the validity and enforceability of the Special Tax Refunding Bonds. See Appendix C. Certain legal matters will be passed upon for the Authority and the City by the City Attorney, for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel, for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, and for the Trustee by its counsel. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and the Trustee is contingent upon the sale and delivery of the Bonds. Bond Counsel and Disclosure Counsel have from time to time represented the Underwriter in connection with various matters unrelated to the Bonds or the Special Tax Refunding Bonds.

Tax Matters

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority, the City and the Community Facilities Districts comply with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority, the City and the Community Facilities Districts have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Should the interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Indenture.

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

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current

benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a Bond, and Bond Counsel expresses no opinion with respect thereto.

The Internal Revenue Service (the "IRS") has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit (or by an audit of similar bonds).

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

No Litigation

There is no action, suit or proceeding pending or, to the best knowledge of the City, the Community Facilities Districts and the Authority, threatened at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City, the Community Facilities Districts or the Authority taken with respect to the execution or delivery thereof. A no litigation opinion rendered by the City Attorney will be required to be delivered to the Underwriter simultaneously with the delivery of the Bonds.

Rating

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), is expected to assign a rating of "___" to the Bonds. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P.

Continuing Disclosure

The Community Facilities Districts, for themselves and as agent for the Authority, have covenanted for the benefit of holders and beneficial owners of the Bonds: (1) to provide certain financial information and operating data (the "Annual Report") relating to the Community Facilities Districts and the property in the Improvement Areas and CFD No. 91-01 not later than March 1 after the end of the City's Fiscal Year,

commencing with the report for Fiscal Year 2013-14; and (2) to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Community Facilities Districts or a dissemination agent appointed by the Community Facilities Districts with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> ("EMMA"). The notices of enumerated events will be timely filed by the Community Facilities Districts or a dissemination agent appointed by the Community Facilities Districts with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See Appendix D. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

It should be noted that the Community Facilities Districts are required to file certain financial statements with the Annual Report. This requirement has been included in the Continuing Disclosure Agreement solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the Community Facilities Districts, the Authority or the City other than as described in this Official Statement. See the captions "SPECIAL RISK FACTORS—The Bonds are Limited Obligations of the Authority" and "SPECIAL RISK FACTORS—The Special Tax Refunding Bonds are Limited Obligations."

[DISCUSS] [The City, the Community Facilities Districts and the Authority have not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events in the last five years. The full text of the Continuing Disclosure Agreement is set forth in Appendix D.]

Miscellaneous

All of the preceding summaries of the Indenture, the Special Tax Refunding Bonds Fiscal Agent Agreements, applicable legislation, agreements and other documents are made subject to the provisions of such documents and legislation and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement have been authorized by the members of the Board of Directors of the Authority and by the members of the City Council, as the legislative body of the Community Facilities Districts.

SAN MARCOS PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

**CITY OF SAN MARCOS COMMUNITY FACILITIES
DISTRICT NO. 99-01**

By: _____
City Manager

**CITY OF SAN MARCOS COMMUNITY FACILITIES
DISTRICT NO. 91-01**

By: _____
City Manager

APPENDIX A

INFORMATION REGARDING THE CITY OF SAN MARCOS

The following information relating to the City of San Marcos and the County of San Diego, California is supplied solely for purposes of information. Neither the City nor the County is obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The Bonds are payable solely from the sources described in the Official Statement.

The City of San Marcos, California (the “City”) is located approximately 24 miles north of downtown San Diego and 90 miles south of Los Angeles, in the northern coastal/inland region of San Diego County (the “County”). The Cerros Las Posas, Merriam and San Marcos foothills and a series of valleys are the chief topographic features. The City is accessible to San Diego, Orange, Imperial, San Bernardino, Riverside and Los Angeles Counties. The City is situated along the State Highway 78 Freeway corridor and is bordered by Escondido to the east, Vista to the north and west, Carlsbad to the south and west, and unincorporated areas of the County to the north and south.

Municipal Government

The City is a charter city, incorporated in 1963 and chartered on July 4, 1994. The City operates under a council/manager form of government. The City Council is comprised of five council members, elected at large on a staggered basis for a term of four years. The Mayor is directly elected for a four-year term. The City Council appoints the City Manager and the City Attorney. Public services are typically through independent, special services districts and by contractual agreements with the County.

Risk Management

The City participates in the California Joint Powers Insurance Authority (the “CJPIA”), which is comprised of over 100 member cities. The CJPIA was established under the California Government Code to administer a joint protection program wherein cities pool their losses and claims and jointly purchase excess insurance and administrative and other services. The liability self-insurance coverage arranged by the CJPIA for its members includes protection for personal injury, errors and omissions, property damage and bodily injury (including workers’ compensation coverage).

Climate and Topography

The City is located 600 feet above sea level in rolling hills. The City has mild summers with an average high temperature of 77 degrees and moderate winters with an average winter high temperature of 69 degrees. Average rainfall, which occurs generally in the period between November and April, is 12 inches.

Assessed Valuations

For assessment and collection purposes, property is classified either as “secured” or unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.” Shown below is a summary of assessed valuations in the City for Fiscal Years 2010 through 2014.

**CITY OF SAN MARCOS
ASSESSED VALUATIONS
Fiscal Years 2010 through 2014**

<i>Fiscal Year Ended June 30</i>	<i>Local Secured</i>	<i>Unsecured</i>	<i>Less Exemptions</i>	<i>Total</i>
2010	\$8,948,612,795	\$343,678,128	\$(433,607,449)	\$8,858,683,474
2011	8,829,981,997	343,767,058	(432,933,115)	8,740,815,940
2012	8,908,023,695	342,676,146	(441,238,868)	8,809,460,973
2013	8,949,312,131	351,245,593	(482,223,209)	8,818,334,515
2014	9,339,081,684	337,792,578	(503,189,791)	9,173,684,471

Source: City of San Marcos Finance Department.

Revenues and Expenditures

**CITY OF SAN MARCOS
GENERAL GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾
Fiscal Years 2009 through 2013**

<i>Category</i>	<i>Fiscal Year Ended June 30</i>				
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Taxes/Special Assessments ⁽²⁾	\$ 94,097,283	\$ 87,852,421	\$ 87,336,566	\$ 44,811,128	\$ 40,050,764
Licenses & Permits	4,229,537	4,274,969	4,722,075	5,210,749	5,031,124
Intergovernmental	10,406,686	6,816,194	10,725,506	14,657,647	16,273,969
Service Charges	11,783,938	11,341,050	11,273,011	13,430,631	14,423,983
Developer Fees	3,773,174	2,860,402	3,734,747	8,822,043	12,333,859
Fines & Forfeits	292,642	279,735	284,452	203,253	171,675
Use of Money & Property	11,422,319	9,248,874	9,656,305	8,710,563	8,108,512
Miscellaneous	<u>4,444,346</u>	<u>3,358,490</u>	<u>1,984,750</u>	<u>2,020,386</u>	<u>1,656,624</u>
TOTALS ⁽²⁾	<u>\$140,449,925</u>	<u>\$126,032,135</u>	<u>\$129,717,412</u>	<u>\$ 97,866,400</u>	<u>\$ 98,050,510</u>

⁽¹⁾ Includes General, Special Revenue, Debt Service and Capital Projects funds.

⁽²⁾ Decreases in Fiscal Years 2012 and 2013 reflect dissolution of redevelopment agencies pursuant to State law.

Source: City of San Marcos Finance Department.

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CITY OF SAN MARCOS
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION⁽¹⁾
Fiscal Years 2009 through 2013

<i>Category</i>	<i>Fiscal Year Ended June 30</i>				
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
General Government	\$ 13,333,406	\$ 14,825,068	\$ 17,457,897	\$ 15,640,014	\$ 15,237,915
Community Development	43,870,002	17,085,690	10,223,010	17,717,361	9,148,706
Public Safety	27,392,057	27,461,612	27,317,174	30,262,221	27,156,685
Highways & Streets	15,445,033	14,040,659	13,379,798	14,053,498	13,407,088
Culture & Recreation	2,822,593	2,763,210	2,814,054	2,984,215	4,819,380
Tax Increment Distribution to Other					
Governmental Agencies	18,086,645	37,060,348	16,266,743	410,877	-
SERAF Payment	-	-	4,163,078	-	-
Capital Outlay	39,281,839	38,456,751	26,289,568	20,163,235	16,677,835
Debt Service ⁽²⁾	<u>25,392,922</u>	<u>24,546,342</u>	<u>26,023,272</u>	<u>19,412,747</u>	<u>620,399</u>
TOTALS ⁽²⁾	<u>\$185,634,497</u>	<u>\$176,239,680</u>	<u>\$143,934,594</u>	<u>\$120,644,168</u>	<u>\$ 87,068,008</u>

(1) Includes General, Special Revenue, Debt Service and Capital Projects funds.

(2) Decrease in Fiscal Year 2013 reflects dissolution of redevelopment agencies pursuant to State law.

Source: City of San Marcos Finance Department.

Tax Levies, Collections and Delinquencies

The County Treasurer-Tax Collector collects *ad valorem* property tax levies representing taxes levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. Unsecured taxes are assessed and payable on March 1 and become delinquent August 31, in the following Fiscal Year. One-half of the secured tax levy is due on November 1 and becomes delinquent on December 10; the second installment is due on February 1 and becomes delinquent April 10. A 10% penalty is added to any late installment. On June 30, delinquent properties are sold to the State.

Property owners may redeem property upon payment of delinquent taxes and penalties. Properties sold to the State incur a redemption penalty of 1½% per month of the tax due. Properties may be redeemed under an installment plan by paying current taxes, plus 20% of delinquent taxes for five years. Interest accrues at 1½% per month on the unpaid balance. If no payments have been made on delinquent taxes at the end of five Fiscal Years, the property is deeded to the State. Such properties may thereafter be conveyed to the County Treasurer-Tax Collector as provided by law.

Set forth below is a summary of the secured property tax levies, collection delinquencies, and total collections for Fiscal Years 2010 through 2014.

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**CITY OF SAN MARCOS
PROPERTY TAX LEVIES AND COLLECTIONS
Fiscal Years 2010 through 2014**

<i>Fiscal Year Ended June 30</i>	<i>Taxes Levied for the Fiscal Year⁽¹⁾</i>	<i>Collected within the Fiscal Year of the Levy</i>		<i>Delinquent Collections⁽²⁾</i>	<i>Total Collections to Date</i>	
		<i>Amount</i>	<i>Percentage of Levy</i>		<i>Amount</i>	<i>Percentage</i>
2010	\$5,575,114	\$5,363,998	96.21%	\$227,310	\$5,591,308	100.29%
2011	5,604,503	5,413,368	96.59	226,828	5,640,196	100.64
2012	5,645,057	5,477,833	97.04	130,736	5,608,569	99.35
2013	5,898,965	5,733,817	97.20	122,068	5,855,885	99.27
2014	6,279,428	6,069,950	96.66	104,591	6,174,541	98.33

⁽¹⁾ The amounts presented include City and Fire District property taxes.

⁽²⁾ Includes prior years' delinquent collections, escapes, penalties and interest.

Source: City of San Marcos Finance Department.

Population

The City has grown from 3,896 people in 1970 to an estimated 90,179 as of January 1, 2014. The following is a tabulation of population data for the City.

**CITY OF SAN MARCOS
POPULATION DATA**

<i>Calendar Year</i>	<i>Population</i>
1970	3,896
1980	17,479
1990	38,974
2000	54,977
2005	72,564
2006	76,303
2007	79,273
2008	82,116
2009	82,879
2010	83,781
2011	84,586
2012	85,569
2013	87,165
2014	90,179

Source: 1970, 1980, 1990, 2000 and 2010 figures are from the U.S. Bureau of the Census. All other figures have been estimated by the Demographic Research Unit, California State Department of Finance as of January 1 of each year listed.

Employment and Industry

The City's total labor force, the number of persons who work or are available for work, averaged 31,600 in calendar year 2013. The number of employed workers in the labor force averaged 29,200.

The following table sets forth information regarding the size of the labor force, employment and unemployment rates for the City for calendar years 2009 through 2013.

CITY OF SAN MARCOS
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Calendar Years 2009 through 2013

<i>Calendar Year</i>	<i>Labor Force</i>	<i>Employed</i>	<i>Unemployed</i>	<i>Unemployment Rate</i>
2009	30,900	27,900	3,000	9.6%
2010	31,000	27,700	3,300	10.5
2011	31,500	28,300	3,100	10.0
2012	31,700	28,900	2,800	8.9
2013	31,600	29,200	2,400	7.5

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics Information and Analysis and State of California Employment Development Department.

Regional Employment

Employment data by industry is not separately reported on an annual basis for the City but is compiled for the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (the “MSA”), which includes all of the County. The following table represents the Annual Average Labor Force and Industry Employment for the MSA for the period from calendar years 2009 through 2013.

SAN DIEGO-CARLSBAD-SAN MARCOS
METROPOLITAN STATISTICAL AREA
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
Calendar Years 2009 through 2013

	<i>Calendar Years Ended December 31</i>				
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Total, All Industries	1,255,600	1,246,900	1,255,700	1,289,000	1,321,800
Total Farm	10,400	10,500	9,800	9,800	9,800
Mining and Logging	400	400	400	400	400
Construction	61,100	55,300	55,200	56,900	61,200
Manufacturing	95,300	92,900	93,100	94,300	94,600
Trade, Transportation and Utilities	199,500	197,300	200,800	207,700	212,300
Information	28,200	25,100	24,200	24,500	24,100
Financial Activities	69,800	67,200	67,500	70,100	71,400
Professional and Business Services	206,800	207,700	209,800	216,200	222,600
Educational and Health Services	158,200	159,500	162,800	170,400	179,300
Leisure and Hospitality	154,800	154,500	155,600	161,700	167,500
Other Services	46,800	46,100	47,600	49,100	49,200
Government	224,500	230,400	229,000	227,800	229,500

Source: State of California Employment Development Department.

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The following table sets forth the principal employers in the City for the Fiscal Year ending June 30, 2014.

**CITY OF SAN MARCOS
PRINCIPAL EMPLOYERS
Fiscal Year 2014**

<i>Employer</i>	<i>Products/Services</i>	<i>Number of Employees</i>
Hunter Industries, Inc.	Manufacturing – Plastic Products	756
United Parcel Service	Services – Delivery	438
Southern California Permanente Medical Group	Services – Health Care	361
Wal-Mart Stores, Inc.	Retail – Department Store	350
Lusardi Construction Co.	Contractor – Construction	300
Aerotek Inc.	Services – Employment	283
Costco Wholesale	Retail – Variety Store	268
RB III Associates, Inc.	Apparel – Manufacturing	259
Fluid Components International, LLC	Manufacturing – Miscellaneous	245
Oncore Manufacturing Services, LLC	Manufacturing – Electronics	233
Fry's Electronics	Retail – Electronics	186
Hollandia Dairy Inc.	Dairy	185
Hughes Circuits Inc.	Manufacturing – Electronics	170
Home Depot #6656	Retail – Building Supplies	164
24356 Swartz Burgers Inc.	Restaurant	150
Southern Contracting	Contractor – Electrical	150
Diamond Environmental Services LP	Services – Waste Facility	148
Markstein Beverage Co.	Wholesale – Beverages	140
Plum Health Care Group	Services – Health Care	135
Falmat Inc.	Retail – Wire Products	130
Vanpike Inc.	Services – Employment	130
Kindred Transitional Care & Rehabilitation	Services – Nursing	114
Jacques Gourmet	Wholesale – Bakery	112
Kohl's Department Store #707	Retail – Department Store	112
Corky's Pest Control Inc.	Services – Pest Control	110
M Bar C Construction Inc.	Contractor – Steel	100
Baked in the Sun	Wholesale – Bakery	100
Ralph's #683	Grocery – Supermarket	99
K-Tech Machine, Inc.	Machine Shop	97
SF Markets LLC	Grocery – Supermarket	97
<i>Total</i>		<u>6,122</u>

⁽¹⁾ Total Employment as used above represents the total employment of all employers located within the City of San Marcos limits.

Source: City of San Marcos.

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Commerce

Taxable sales in the City were approximately \$1,305,707,000 in 2012, the most recent full year for which figures are available. The following shows the taxable transactions of the City for calendar years 2008 through 2012, as provided by the California State Board of Equalization.

**CITY OF SAN MARCOS
TAXABLE TRANSACTIONS
(In Thousands)
Calendar Years 2008 through 2012**

	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Retail Stores:					
Apparel stores	\$ 35,470	\$ 37,805	\$ 45,664	\$ 49,566	\$ 54,143
General merchandise stores.....	162,969	153,945	155,508	143,681	212,021
Food stores.....	50,601	47,145	46,639	48,049	49,686
Eating and drinking places.....	113,633	110,772	114,768	127,131	135,061
Home furnishings and appliances	170,985	190,200	190,158	190,854	172,230
Building materials and farm implements.....	141,816	124,752	121,579	132,225	133,573
Auto dealers and auto supplies.....	66,205	42,624	48,273	68,895	77,548
Service stations	109,331	90,962	103,047	114,402	119,256
Other retail stores	<u>126,751</u>	<u>85,760</u>	<u>85,430</u>	<u>89,785</u>	<u>96,978</u>
Retail Stores Totals	977,761	883,965	911,067	964,587	1,050,496
All Other Outlets.....	<u>313,051</u>	<u>249,174</u>	<u>241,054</u>	<u>236,258</u>	<u>255,211</u>
Totals All Outlets.....	<u>\$1,290,812</u>	<u>\$1,133,139</u>	<u>\$1,152,121</u>	<u>\$1,200,846</u>	<u>\$1,305,707</u>

Sales omitted because their publication would result in disclosure of confidential information.

Source: California State Board of Equalization.

Construction

A summary of the value of the building permits issued in the City during Fiscal Years 2010 through 2014 is shown in the following table:

**CITY OF SAN MARCOS
Building Construction Valuations
Fiscal Years 2010 through 2014**

<i>Fiscal Year</i>	<i>Residential⁽¹⁾</i>	<i>Commercial</i>	<i>Other</i>	<i>Total</i>
2010	\$ 33,277,959	\$ 3,612,745	\$11,055,977	\$ 47,946,681
2011	51,307,894	14,697,695	9,968,899	75,974,488
2012	98,585,110	35,123,563	15,396,538	149,105,211
2013	196,057,271	12,496,228	6,104,807	214,658,306
2014	79,366,124	15,728,705	14,636,708	109,731,537

⁽¹⁾ Does not include mobile homes.

Source: City of San Marcos Building Department.

Transportation

Primary access to the City is provided by State Route 78, which is a major transportation corridor that extends in a general east-west direction from Escondido (Interstate 15) to Oceanside (Interstate 5). State Route 78 is one of the few major transportation corridors linking the coastal areas of the County to inland North County. The City can be accessed at various off-ramps from the highway, including Nordahl Road, Twin Oaks Valley Road, San Marcos Boulevard, Las Posas Road, Rancho Santa Fe Road, and Woodland Parkway.

This network of roads provides access to the various neighborhoods and districts dispersed throughout the community.

Interstate 5, along the coast (via State Highway 78), and Interstate 15, inland, provide full freeway access to the City from Los Angeles to the north and San Diego to the south.

Daily bus connections serve the City, passenger rail service on Southern Pacific Railway is 30 minutes to the west in Oceanside and San Diego's Lindbergh International Airport is 35 minutes to the south of the City. The City is connected by the Sprinter light rail service to Amtrak and Metrolink train service in Oceanside, as well as the Escondido Transit Center to the east.

The North County Area is served by the AT&SF Railroad, a part of the transcontinental line linked with major rail networks. A number of industrial parcels throughout the City and the North County region are served by rail.

The smaller McClellan-Palomar Airport in Carlsbad is within minutes of North County cities and is popular among executives who have based nearly 100 corporate aircraft at full-service facilities. Commercial service is offered to San Diego, Los Angeles, Orange County and other southern California and Arizona locations. Air cargo service also may expand as industry expands in North County.

Access to the San Diego Harbor and the Port of San Diego from the City is convenient via rail and freeway connections.

Utilities and Other Local Services

The City provides a wide range of services to its residents, including basic local services such as planning, public works, community services, recreation and parks and fire protection. Police services are provided by the County Sheriff's Department by contract. Vallecitos Water District provides domestic water service and sanitary sewer services, as well as water sewage treatment. Natural gas and electric power currently are supplied only by San Diego Gas & Electric Company. Telephone service is provided by multiple providers.

Education and Community Facilities

The City is known as the educational hub of North San Diego County. California State University, San Marcos, which opened in the fall of 1992 on 305 acres less than one-half mile south of City Hall, currently serves approximately 10,364 students. Ultimate enrollment at this four-year university is estimated at 35,000 students. Palomar Community College, where students can complete a two-year degree, obtain vocational training or take general education courses, has an enrollment in excess of 30,000 full and part-time students. Additionally, there are several vocational/trade schools including the San Diego County Continuing Teacher Education Facility, University of Phoenix, University of St. Augustine, ITT Tech, United Education Institute (UEI), Southern State University, and California College.

San Marcos Unified School District also provides eleven elementary schools, three middle schools, two high schools and one continuation high school. A new elementary and middle school is currently under construction.

Medical facilities include Escondido's Palomar Medical Center with a 563 total bed capacity and a designated trauma center. There are approximately 400 physicians, surgeons, 450 registered nurses and over 100 medical and health services available (e.g., family planning, dieticians, diabetes programs, women's health services, cardiac, birth center and preparation classes) in the community.

Medical facilities within the City include the recently completed Palomar-Pomerado Health Care campus and the expanded Kaiser Permanente Health Care campus. Plans for a Scripps Health Care campus have been approved but are undergoing revised planning.

Recreational facilities in close proximity to the City include the San Diego Safari Park, Legoland, 25 golf courses within 20 miles of the City's downtown, Lake Hodges, Lake Wohlford, Dixon Lake and Palomar Observatory.

Community facilities include the completed San Marcos Town Center. The Town Center covers nearly 60 acres at the northeast corner of Twin Oaks Valley Road and Highway 78, within view of California State University, San Marcos. The Town Center project is a mixed use, public/private venture consisting of a 147,000 square-foot city hall, a 30,000 square-foot multi-purpose community center and a 15,000 square-foot branch of the County Library. The Town Center also includes open space and recreational amenities and three private Class "A" office buildings totaling 225,000 square feet. The Town Center also hosts two large restaurants and a 65,000 square feet health club-anchored retail center.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF BOND DOCUMENTS

The following is a summary of selected provisions of the Indenture and the Fiscal Agent Agreements. The provisions of each Fiscal Agent Agreement are substantially equivalent, except where specified otherwise in this summary. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the documents summarized herein. Purchasers of the Bonds are referred to the complete text of each respective document, copies of which are available upon request from the Trustee.

[TO COME FROM BOND COUNSEL]

APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Best Best & Krieger LLP, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[TO COME FROM BOND COUNSEL]

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon issuance of the Bonds, the Community Facilities Districts propose to enter into a Continuing Disclosure Agreement in substantially the following form:

This Continuing Disclosure Agreement, dated as of October 1, 2014 (the “Disclosure Agreement”), is entered into by and among the City of San Marcos Community Facilities District 99-01 (“CFD No. 99-01”) and the City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) (“CFD No. 91-01” which, together with CFD No. 99-01, are collectively referred to herein as the “Districts”), for themselves and as agent for the San Marcos Public Financing Authority (the “Issuer”), and MUFG Union Bank, N.A., as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the Issuer of its \$_____ San Marcos Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2014A (collectively, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2014 (the “Indenture”), by and between the Issuer and MUFG Union Bank, N.A., as trustee (the “Trustee”). The Districts and the Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Districts, acting as the agent of the Issuer, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

Annual Report. The term “Annual Report” means any Annual Report provided by the Districts pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

Disclosure Representative. The term “Disclosure Representative” means the City Manager or the Finance Director of the City of San Marcos, or their designee, or such other officer or employee as the Districts shall designate in writing to the Dissemination Agent from time to time.

Dissemination Agent. “Dissemination Agent” means, initially, MUFG Union Bank, N.A., or any successor Dissemination Agent designated in writing by the Districts which has filed with the then-current Dissemination Agent a written acceptance of such designation.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) or (b) of this Disclosure Agreement.

Official Statement. The term “Official Statement” means the final Official Statement, dated October __, 2014, relating to the Bonds.

Participating Underwriter. The term “Participating Underwriter” means the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Districts shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than nine months after the end of the Districts’ and the Issuer’s Fiscal Year, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement; provided, however, that the first Annual Report for Fiscal Year 2013-14 may be limited to a copy of the Official Statement together with the Districts’ audited financial statements. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that the audited financial statements of the Districts and the Issuer, if any are prepared, may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months. CFD No. 99-01’s, CFD No. 91-01’s and the Issuer’s Fiscal Year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Districts will promptly notify EMMA, the Dissemination Agent and the Participating Underwriter of a change in the Districts’ or the Issuer’s Fiscal Year dates.

(b) So long as the Dissemination Agent is an entity other than the Districts, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA and the Participating Underwriter, the Districts shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Districts to determine if the Districts will be filing the Annual Report in compliance with subsection (a). The Districts shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. If the Dissemination Agent is an entity other than the Districts, it may conclusively rely upon such certification of the Districts and shall have no duty or obligation to review such Annual Report.

(c) If the Districts are the Dissemination Agent and the Districts are unable to provide to EMMA and the Participating Underwriter an Annual Report by the date required in subsection (a), the Districts shall send a notice to EMMA, the Participating Underwriter and the Dissemination Agent in the manner prescribed by the Municipal Securities Rulemaking Board. If the Dissemination Agent is other than the Districts and if the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA and the Participating Underwriter by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA and the Participating Underwriter, in the form prescribed by the Municipal Securities Rulemaking Board.

(d) The Dissemination Agent, if other than the Districts, shall promptly after receipt of the Annual Report, file a report with the Districts and the Issuer certifying that the Annual Report has been filed pursuant to this Disclosure Agreement and stating the date that it was filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or include by reference to files available on EMMA the following:

(a) Financial Statements. The audited financial statements of the Districts and the Issuer, if any have been prepared, for the most recent Fiscal Year of the Districts and the Issuer then ended. If the audited financial statements are being prepared and are not available by the time that the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain any available unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the Districts and the Issuer shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements, if prepared by the Districts and the Issuer, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Districts and the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Districts and the Issuer shall modify the basis upon which its financial statements are prepared, the Districts shall provide a notice of such modification to EMMA, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data.

- (i) the principal amount of Bonds outstanding;
- (ii) the balance in each fund under the Indenture and the Fiscal Agent Agreement
- (iii) the Reserve Requirement – Cash and the Reserve Requirement – QRFI;
- (iv) the status of any judicial foreclosure proceedings initiated by the Districts as a result of the delinquency in the payment of special taxes and the summary of the results of foreclosure sales, if available;
- (v) an update of Tables __, __, __ and __; and
- (vi) the principal amount of prepayments of the special taxes with respect to the Improvement Areas and CFD No. 91-01 for the preceding Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Districts, the Issuer or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Districts shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Districts shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Districts shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the Districts or the sale of all or substantially all of the assets of the Districts, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the Districts determine that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Districts, the Districts shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

(d) If the Districts determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Districts, the Districts shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The Districts hereby agree that the undertaking set forth in this Disclosure Agreement is the responsibility of the Districts and, if the Dissemination Agent is other than the Districts, the Dissemination Agent shall not be responsible for determining whether the Districts' instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Districts and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Districts shall give notice of such termination in the same manner as for a Listed Event under Section 5 hereof.

Section 7. Dissemination Agent. The Districts may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent appointed by the Districts may resign by providing thirty (30) days written notice to the Districts, and upon appointment of a new Dissemination Agent hereunder.

Section 8. Amendment.

(a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the Districts or the type of business conducted thereby; (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the Districts shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Districts, to the same effect as set forth in clause (2) above; (4) the Districts shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Districts, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners; and (5) the Districts shall have delivered copies of such opinion and amendment to the Participating Underwriter.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of the Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 8(a)(1), (2), (3) and (5) have been satisfied.

(c) To the extent that any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent

reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Districts from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Districts choose to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Districts shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Districts or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Districts and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Districts or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Districts agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent other than the Districts shall be paid: (i) compensation by the Districts for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Districts under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Section 13. Notices. Notices with respect to this Disclosure Agreement should be sent in writing to:

If to CFD No. 99-01:	City of San Marcos Community Facilities District 99-01 c/o City of San Marcos One Civic Center Drive San Marcos, California 92069 Attention: City Manager
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If to CFD No. 91-01:	City of San Marcos Community Facilities District 91-01 c/o City of San Marcos One Civic Center Drive San Marcos, California 92069 Attention: City Manager
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If to the Dissemination Agent:	MUFG Union Bank, N.A.
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Corporate Trust Services
120 South San Pedro Street, Fourth Floor
Los Angeles, California 90012

If to the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, Suite 3700
San Francisco, California 94104

Section 14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 15. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 17. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

IN WITNESS WHEREOF, the parties have caused their duly authorized officer to execute and deliver this Disclosure Agreement on the date first written above.

CITY OF SAN MARCOS COMMUNITY FACILITIES
DISTRICT 99-01

By: _____
Name: _____
Title: _____

CITY OF SAN MARCOS COMMUNITY FACILITIES
DISTRICT 91-01

By: _____
Name: _____
Title: _____

MUFG UNION BANK, N.A., as Dissemination Agent

By: _____
Name: _____
Title: _____

APPENDIX E

INFORMATION CONCERNING DTC

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the Community Facilities Districts, the City and the Underwriter believe to be reliable, but none of the Authority, the Community Facilities Districts, the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

FORM OF RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX

COMMUNITY FACILITIES DISTRICT NO. 99-01 IMPROVEMENT AREAS __

The Rate and Method of Apportionment of Special Tax with respect to each Improvement Area within CFD No. 99-01 is substantially identical, with the exception of the Improvement Area referenced and certain information unique to each Improvement Area presented in Tables 1 through 4. Set forth on the following pages is [a composite form of the Rate and Method of Apportionment of Special Tax for each Improvement Area, with the applicable information for each Improvement Area included in Tables 1 through 4.] Accordingly, each Rate and Method of Apportionment of Special Tax is not provided.

**COMMUNITY FACILITIES DISTRICT NO. 91-01
(TWIN OAKS VALLEY RANCH)**