ADMINISTRATION REPORT
FISCAL YEAR 2021/2022
COMMUNITY FACILITIES DISTRICT NO. 12

SAN MARCOS UNIFIED SCHOOL DISTRICT

JULY 20, 2021

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INTRODUCTION

This Administration Report ("Report") provides an analysis of the financial and administrative obligations of Community Facilities District ("CFD") No. 14 of the San Marcos Unified School District ("School District") pursuant to the Rate and Method of Apportionment ("RMA") attached as Exhibit A for the purpose of calculating the Annual Special Tax levy for Fiscal Year 2021/2022. In calculating the Annual Special Tax levy for Fiscal Year 2021/2022, the Report describes (i) the remaining financial obligations of CFD No. 12 for Fiscal Year 2020/2021, (ii) the financial obligations of CFD No. 12 for Fiscal Year 2021/2022, and (iii) the amount of new development that has occurred within CFD No. 12. The Report is organized into the following sections:

SECTION I

Section I provides a description of the Annual Special Tax levy for Fiscal Year 2020/2021 including any delinquent Annual Special Taxes.

SECTION II

Section II contains a description of the expenditure of Special Taxes to fund authorized facilities of CFD No. 12 through April 30, 2021, as directed by Senate Bill 165 ("SB 165").

SECTION III

Section III calculates the Annual Special Tax Requirement based on the financial obligations of CFD No. 12 for Fiscal Year 2021/2022.

SECTION IV

Section IV provides (i) a description of the Special Tax classifications and (ii) an update of the development which has occurred in CFD No. 12.

SECTION V

Section VI describes the methodology used to apportion the Annual Special Tax Requirement among the properties within CFD No. 12 and lists the Annual Special Tax rates for Fiscal Year 2021/2022.

FISCAL YEAR 2020/2021 LEVY SUMMARY

A. SPECIAL TAX LEVY

Pursuant to the RMA, the Special Tax levy for CFD No. 12 shall commence in Fiscal Year 2020/2021. Prior to the Fiscal Year 2020/2021, no building permits were issued within CFD No. 12 to be taxed; therefore, there was no Special Tax levy in Fiscal Year 2020/2021.

B. SPECIAL TAX DELINQUENCIES

There was no Special Tax levy in Fiscal Year 2020/2021; therefore, there were no Special Tax delinquencies.

SENATE BILL 165 COMPLIANCE

The Governing Board ("Board") of the School District, pursuant to the provisions of the Local Agency Special Tax and Bond Accountability Act ("Accountability Act"), has directed the filing of the Special Tax and Bond Accountability Report for CFD No. 12. According to SB 165, any local special tax and/or bond measure subject to voter approval on or after January 1, 2001, must follow the requirements of the Accountability Act. All capitalized terms herein are used as defined in the RMA of CFD No. 12.

A. AUTHORIZED FACILITIES

Pursuant to the Mello-Roos Community Facilities Act of 1982, as Amended ("Act"), CFD No. 12 can only be used to fund the "Authorized Facilities" as outlined at the time of formation. The following is an excerpt taken from the CFD Report of CFD No. 12 which describes the Authorized Facilities.

> "Facilities, means those K-12 school sites, preschool facilities, school facilities, any facilities needed to accommodate the educational programs provided by the District pursuant to Education Code Section 51000 *et seq.*, including classrooms, on-site office space at a school, central support and administrative facilities, interim housing, furniture, equipment, technology, buses, and transportation facilities needed by the School District in order to serve the student population to be generated as a result of development of the property within CFD No. 12, and also includes costs associated with the maintenance and operations of school facilities in accordance with the Act, and the payment of fees to be paid to and/or for improvements to be constructed, owned, operated or maintained by the School District.
>
> "Facilities" shall also include the attributable costs of engineering, design, planning, materials testing, coordination, construction staking, and construction, together with the expenses related to issuance and sale of any "debt", as defined in Section 53317(d) of the Act, including underwriters' discount, appraisals, market studies, reserve fund, capitalized interest, bond counsel, special tax consultant, bond and official statement printing, administrative expenses of the School District, CFD No. 12 and bond trustee or fiscal agent related to CFD No. 12, and any such debt and all other incidental expenses. The Facilities shall be constructed, whether or not acquired in their completed states, pursuant to plans and specifications approved by the School District."

B. BOND PROCEEDS

As of April 30, 2021, no bonds have been issued for CFD No. 12.

C. CONSTRUCTION/ACQUISITION ACCOUNTS

As of April 30, 2021, no bonds have been issued for CFD No. 12. Since bonds have not been issued, no construction/acquisition accounts have been established by CFD No. 12.

D. SPECIAL TAX FUND

Each Fiscal Year, CFD No. 12 will levy, collect, and expend Annual Special Taxes in an amount necessary to pay interest and principal to bondholders, cover Administrative Expenses, and fund school facilities necessary to serve students generated from residential units constructed within the boundaries of CFD No. 12. As of April 30, 2021, no Special Taxes have been levied by CFD No. 12.

ANNUAL SPECIAL TAX REQUIREMENT

For Fiscal Year 2021/2022, the Annual Special Tax Requirement for CFD No. 12, as calculated pursuant to the RMA, can be found in the table below.

ANNUAL SPECIAL TAX REQUIREMENT

FOR FISCAL YEAR 2021/2022

FY 2021/2022 Obligations		**$32,413.22**
Administrative Expense Budget for Fiscal Year 2021/2022	$25,500.00	
Direct Construction of Authorized Facilities/Special Tax Delinquencies	$6,913.22	
Annual Special Tax Requirement		**$32,413.22**

DEVELOPMENT SUMMARY

Each Fiscal Year, the School District calculates the Annual Special Taxes to be levied against Taxable Property within CFD No. 12. Taxable Property is classified based on the issuance of a Building Permit. Specifically, Developed Property means, for any Fiscal Year, all Assessor's Parcels in CFD No. 12 for which a Building Permit has been issued as of May 1 of the previous Fiscal Year, provided that the Assessor's Parcel was created prior to January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot. The table below summarizes the Special Tax classification within CFD No. 12 for the previous Fiscal Year and Fiscal Year 2021/2022.

SPECIAL TAX CLASSIFICATION

Tax Class	Building Square Footage	Previous Fiscal Year	Fiscal Year 2021/2022
1	≤ 1,800 Sq. Feet	0 Units	8 Units
2	1,801 – 2,000 Sq. Feet	0 Units	0 Units
3	2,001 – 2,200 Sq. Feet	0 Units	24 Units
4	2,201 – 2,400 Sq. Feet	0 Units	21 Units
5	2,401 – 2,600 Sq. Feet	0 Units	0 Units
6	2,601 – 2,800 Sq. Feet	0 Units	26 Units
7	2,801 – 3,000 Sq. Feet	0 Units	0 Units
8	3,001 – 3,200 Sq. Feet	0 Units	8 Units
9	> 3,200 Sq. Feet	0 Units	16 Units
Developed Property		*0 Units*	*26 Units*
Undeveloped Property		*38.99 Acres*	*35.26 Acres*
Total		**0 Units**	**26 Units**

FISCAL YEAR 2021/2022 LEVY SUMMARY

The Special Tax rates of CFD No. 12 needed to meet the Annual Special Tax Requirement for Fiscal Year 2021/2022 are shown in the table below. The Special Tax roll, which lists the actual Special Tax levied against each Assessor's Parcel, is included as Exhibit B. For a more detailed explanation of the methodology used to apportion the Annual Special Tax Requirement among Developed Property and Undeveloped Property, please see the RMA.

ANNUAL SPECIAL TAX RATES

FOR FISCAL YEAR 2021/2022

Tax Class	Building Square Footage	Number of Units/Acres	Assigned Annual Special Tax Rate	Total Annual Special Taxes
1	≤ 1,800 Sq. Feet	4 Units	$974.34 per Unit	$3,897.36
2	1,801 – 2,000 Sq. Feet	5 Units	$1,053.72 per Unit	$5,268.60
3	2,001 – 2,200 Sq. Feet	4 Units	$1,117.22 per Unit	$4,468.88
4	2,201 – 2,400 Sq. Feet	5 Units	$1,212.46 per Unit	$6,062.30
5	2,401 – 2,600 Sq. Feet	0 Units	$1,335.50 per Unit	$0.00
6	2,601 – 2,800 Sq. Feet	0 Units	$1,458.54 per Unit	$0.00
7	2,801 – 3,000 Sq. Feet	2 Units	$1,529.98 per Unit	$3,059.96
8	3,001 – 3,200 Sq. Feet	4 Units	$1,601.42 per Unit	$6,405.68
9	> 3,200 Sq. Feet	2 Units	$1,625.22 per Unit	$3,250.44
Developed Property		*26 Units*	*N/A*	*$32,413.22*
Undeveloped Property		*35.26 Acres*	*$0.00 per Acre*	*$0.00*
Total				**$32,413.22**

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EXHIBIT A

RATE AND METHOD OF APPORTIONMENT

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES OF COMMUNITY FACILITIES DISTRICT NO. 12 OF THE SAN MARCOS UNIFIED SCHOOL DISTRICT

A Special Tax (as defined herein) shall be levied on and collected from all Assessor's Parcels (as defined herein) within the boundaries of Community Facilities District No. 12 of the San Marcos Unified School District each Fiscal Year, commencing in Fiscal Year 2020/2021, in an amount determined by the Board through the application of this Rate and Method of Apportionment of Special Taxes ("RMA") as described below. All the real property within the boundaries of the District, unless exempted by law or by provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

SECTION A
DEFINITIONS

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

"**Acreage**" means the number of acres of land area within an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the Administrator may rely on the land area shown on the applicable Final Map.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**District**" means Community Facilities District No. 12 of the School District. A community facilities district formed by the School District pursuant to the provisions of the Act and applicable State of California law.

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

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

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

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

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

"**Mitigation Agreement**" means the School Facilities Funding Agreement made and entered into as of July 16, 2019, by the School District and Discovery SL, LLC, applicable to the territory within the boundaries of the District.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION B
CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, commencing with Fiscal Year 2020/2021, all Assessor's Parcels within the District shall be classified as either Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be classified as Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property. Developed Property shall be further assigned to a Land Use Class, according to Table 1 below, based on the Building Square Footage of each Unit.

Table 1
Land Use Classification

Land Use Class	Building Square Footage
1	≤ 1,800
2	1,801 – 2,000
3	2,001 – 2,200
4	2,201 – 2,400
5	2,401 – 2,600
6	2,601 – 2,800
7	2,801 – 3,000
8	3,001 – 3,200
9	> 3,200

SECTION C
MAXIMUM SPECIAL TAX

1. Developed Property

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

2. Approved Property

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

3. Undeveloped Property

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

SECTION D
ASSIGNED ANNUAL SPECIAL TAXES

1. Developed Property

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property will be calculated in accordance with Table 2 below, subject to increases as described in Section D(3) below.

Table 2
Fiscal Year 2020/2021
Assigned Annual Special Taxes for Developed Property

Land Use Class	Building Square Footage	Assigned Annual Special Tax
1	≤ 1,800	$955.24 per unit
2	1,801 – 2,000	$1,033.06 per unit
3	2,001 – 2,200	$1,095.31 per unit
4	2,201 – 2,400	$1,188.70 per unit
5	2,401 – 2,600	$1,309.32 per unit
6	2,601 – 2,800	$1,429.94 per unit
7	2,801 – 3,000	$1,499.98 per unit
8	3,001 – 3,200	$1,570.02 per unit
9	> 3,200	$1,593.36 per unit

2. Approved Property, Undeveloped Property and Provisional Undeveloped Property

The Assigned Annual Special Tax for each Assessor's Parcel of Approved Property, Undeveloped Property, or Provisional Undeveloped Property shall be $16,260.38 per acre of Acreage, subject to increases as described in Section D(3) below.

3. Increases in the Assigned Annual Special Tax

a. Developed Property

On each July 1, commencing July 1, 2021, the Assigned Annual Special Tax applicable to Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

b. Approved Property, Undeveloped Property and Provisional Undeveloped Property

On each July 1, commencing July 1, 2021, the Assigned Annual Special Tax for Approved Property, Undeveloped Property and Provisional Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

SECTION E
BACKUP ANNUAL SPECIAL TAX

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

1. Calculation of the Backup Annual Special Tax Rate

The Backup Annual Special Tax for an Assessor's Parcel of Developed Property within a Final Map shall be the rate per Lot calculated in accordance with the following formula in Fiscal Year 2020/2021 or such later Fiscal Year in which such Final Map is created, subject to increases as described below:

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

The terms above have the following meanings:

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

2. Changes to a Final Map

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

a. Determine the total Backup Annual Special Tax revenue anticipated to apply to the changed or modified Assessor's Parcels prior to the change or modification.

b. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property of the modified Assessor's Parcels, as reasonably determined by the Administrator.

c. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage that shall be applicable to the modified Assessor's Parcels, subject to increases as described below.

3. Increase in the Backup Annual Special Tax

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

SECTION F
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2020/2021 and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes on all Taxable Property in accordance with the following steps:

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

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

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

Step Four: If additional moneys are needed to satisfy the Special Tax Requirement after the third step has been completed, the Annual Special Tax on each Assessor's Parcel of Developed Property, whose Maximum Special Tax is the Backup Annual Special Tax, shall be increased Proportionately from the Assigned Annual Special Tax up to 100% of the Backup Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

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

SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAXES

1. Special Tax Prepayment Terms and Conditions

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

2. Special Tax Prepayment Calculation

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

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

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

3. Special Tax Prepayment Procedures and Limitations

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

attributable to the prepayment shall be retained and deposited into the applicable account by the District.

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

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

SECTION H
PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

1. Partial Prepayment Terms and Conditions

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

2. Partial Prepayment Calculation

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

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

The terms above have the following meanings:

PP = the Partial Prepayment Amount

PVT = Present Value of Taxes

F	=	the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

3. Partial Prepayment Procedures and Limitations

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

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

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

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

SECTION I
ANNUAL SPECIAL TAX REMAINDER

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

SECTION J
TERMINATION OF SPECIAL TAX

The Annual Special Tax shall be levied for a term of five (5) Fiscal Years after the final maturity of the last series of Bonds, provided that the Annual Special Tax shall not be levied later than Fiscal Year 2062/2063. However, notwithstanding the foregoing sentence, the Special Tax may cease to be levied in an earlier Fiscal Year if the Board has determined (i) that all required interest and principal payments on the Bonds have been paid, (ii) all authorized facilities of the District have been acquired and all reimbursements have been paid, and (iii) all other obligations of the District have been satisfied.

SECTION K
EXEMPTIONS

The Administrator shall classify as Exempt Property in the chronological order in which each Assessor Parcel becomes (i) owned by the State of California, federal or other local governments, (ii) used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) owned by a homeowners' association, (iv) burdened with a public or utility easements making impractical their utilization for other than the purposes set forth in the easement, or (v) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage to less than 18.36 ("Minimum Taxable Acreage").

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

SECTION L
APPEALS

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

SECTION M
MANNER OF COLLECTION

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

EXHIBIT B

ANNUAL SPECIAL TAX ROLL
FISCAL YEAR 2021/2022

San Marcos Unified School District
Community Facilities District No. 12
Special Tax Levy for Fiscal Year 2021/2022

Book	Page	Parcel	Interest	Special Tax
221	142	21	00	$0.00
221	142	21	00	$0.00
221	142	21	00	$0.00
221	142	21	00	$0.00
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221	142	21	00	$0.00

San Marcos Unified School District
Community Facilities District No. 12
Special Tax Levy for Fiscal Year 2021/2022

Book	Page	Parcel	Interest	Special Tax
221	142	21	00	$0.00
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221	142	21	00	$0.00
221	142	21	00	$1,601.42
221	142	21	00	$1,529.98
221	142	21	00	$1,601.42
221	142	21	00	$1,625.22
221	142	21	00	$1,601.42
221	142	21	00	$0.00
221	142	21	00	$0.00
221	142	21	00	$1,625.22
221	142	21	00	$1,601.42
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221	142	21	00	$0.00
221	080	29	00	$0.00

San Marcos Unified School District
Community Facilities District No. 12
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Book	Page	Parcel	Interest	Special Tax
221	080	29	00	$0.00
221	080	29	00	$0.00
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221	080	29	00	$0.00
221	080	29	00	$974.34
221	080	29	00	$1,212.46
221	080	29	00	$1,117.22
221	080	29	00	$1,053.72
221	080	29	00	$1,053.72
221	080	29	00	$1,212.46
221	080	29	00	$974.34
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221	142	21	00	$0.00
221	142	21	00	$0.00
221	142	21	00	$0.00
Major Conclusions				
Total Number of Parcels				227
Number of Parcels Taxed				26
Total Special Tax Levy for Fiscal Year 2021/2022				$32,413.22