

ATTACHMENT 4

BOND PURCHASE AGREEMENT

**Community Facilities District No. 2017-1
(Weston Infrastructure)**

§ _____
**COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS**

BOND PURCHASE AGREEMENT

_____, 2019

City of Santee
Finance Department
10601 Magnolia Avenue
Santee, CA 92071
Attention: Director of Finance/Treasurer
RE: Community Facilities District No. 2017-1
(Weston Infrastructure) of the City of Santee
2019 Special Tax Bonds

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) offers to enter into this Bond Purchase Agreement (this “**Purchase Contract**”) with Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the “**District**”), which, upon your acceptance of this offer, will be binding upon the District and the Underwriter. Capitalized terms used and not otherwise defined in this Purchase Contract have the meanings given to them in the Fiscal Agent Agreement described below.

This offer is made subject to the acceptance by the District of this Purchase Contract on or before 11:59 p.m. on the date set forth above.

1. Purchase and Sale of the Bonds. Upon the terms and conditions and in reliance upon the respective representations, warranties and covenants herein, the Underwriter hereby agrees to purchase from the District, and the District hereby agrees to sell to the Underwriter, all (but not less than all) of the above-captioned bonds (the “**Bonds**”) at a purchase price (the “**Purchase Price**”) of \$_____ (equal to the initial principal amount of the Bonds (\$_____), [plus/less] [net] original issue [premium/discount] of \$_____, less an Underwriter’s discount of \$_____).

The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the District and the Underwriter, (ii) in connection with such transaction and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as the agent or fiduciary of the District, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering of the Bonds or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing services to the District on other matters) and the Underwriter has no obligation to the District with respect to the offering contemplated by this Purchase Contract except the obligations expressly set

forth in this Purchase Contract, and (iv) the District has consulted with its own legal, financial and other advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

The Bonds are being issued by the District under the authority of the Mello-Roos Community Facilities Act of 1982 (constituting Section 53311 et seq. of the California Government Code) (the “Act”), and Resolution No. ____ adopted on May 22, 2019 (the “**Bond Resolution**”) by the City Council of the City of Santee (the “**City**”) acting as the legislative body of the District (the “**City Council**”).

The special taxes that will provide a source of payment for the Bonds (the “**Special Taxes**”) are being levied pursuant to the following:

(i) Resolution No. 102-2017 of the City Council adopted September 27, 2017 (the “**Resolution of Formation**”), and

(ii) Ordinance No. 548, adopted by the City Council on October 11, 2017 (the “**Ordinance**”).

The Bonds will be issued under a Fiscal Agent Agreement (the “**Fiscal Agent Agreement**”), dated as of June 1, 2019, between the District and U.S. Bank National Association, as fiscal agent (the “**Fiscal Agent**”).

The proceeds of the sale of the Bonds will be applied by the District in accordance with the Fiscal Agent Agreement to (i) finance public improvements authorized to be funded by the District, (ii) fund a reserve fund for the Bonds, (iii) fund interest due on the Bonds on September 1, 2019, (iv) provide funds for administrative expenses of the District, and (v) pay costs of issuing the Bonds.

The Bonds will mature on the dates and in the principal amounts, bear interest at the rates, and be subject to redemption as set forth in Exhibit A hereto.

2. Public Offering and Establishment of Issue Price.

(a) The Underwriter agrees to make a bona fide public offering of the Bonds at the initial public offering price or prices set forth on the inside cover page of the Final Official Statement (as defined in Section 3 hereof) and in Exhibit A hereto and subject Section 2(c) and 2(d) hereof, the Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary or desirable, in its sole discretion, in connection with the marketing of the Bonds, and to sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices set forth in the Final Official Statement. A “**bona fide public offering**” shall include an offering to institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

(b) The Underwriter agrees to assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at Closing (defined below) an “**issue price**” or similar certificate, together with copies of supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit J, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Best Best & Krieger LLP, San Diego, California (“**Bond Counsel**”) to accurately reflect, as applicable, the sales price or

prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the District under this section to establish the issue price of the Bonds may be taken on behalf of the District by the District's municipal advisor, KNN Public Finance, LLC, Oakland, California (the "**Municipal Advisor**") and any notice or report to be provided to the District may be provided to the District's Municipal Advisor.

(c) [Except as otherwise set forth in Exhibit A attached hereto,] the District will treat the first price at which 10% of each maturity of the Bonds (the "**10% test**"), identified under the column "10% Test Used" in Exhibit A, is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or Bond Counsel. For purposes of this section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(d) [The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the "**initial offering price**"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column "Hold the Offering Price Rule Used," as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "**hold-the-offering-price rule**"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following.

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.]

(e) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is

a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A) (i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(f) The District acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to

comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(g) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “**public**” means any person other than an underwriter or a related party;

(ii) “**underwriter**” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a “**related party**” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(iv) “**sale date**” means the date of execution of this Purchase Agreement by the District and the Underwriter].

3. Official Statement, Continuing Disclosure Undertaking. The District agrees to deliver to the Underwriter as many copies of the Official Statement, dated the date hereof, relating to the Bonds (as supplemented and amended from time to time, the “**Final Official Statement**”) as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “**Rule**”). The District agrees to deliver such Final Official Statement within seven business days after the execution hereof, or such earlier date identified by the Underwriter to be necessary to allow the Underwriter to meet its obligations under the Rule and Rule G-32 of the Municipal Securities Rulemaking Board (the “**MSRB**”). The Underwriter agrees to file the Final Official Statement with the MSRB on or as soon as practicable after the Closing Date. The Underwriter agrees to deliver a copy of the Final Official Statement to each of its customers purchasing Bonds no later than the settlement date of the transaction.

The District has authorized and approved the Preliminary Official Statement relating to the Bonds, dated _____, 2019 (the “**Preliminary Official Statement**”), and the Final Official Statement

and consents to their distribution and use by the Underwriter in connection with the offer and sale of the Bonds. The District deems such Preliminary Official Statement final as of its date for purposes of the Rule, except for information allowed by the Rule to be omitted, and has executed a certificate to that effect in the form of Exhibit C.

In connection with the issuance of the Bonds, and in order to assist the Underwriter in complying with the Rule, the District will execute a Continuing Disclosure Agreement dated as of June 1, 2019 (the “**District Continuing Disclosure Agreement**”). The form of the District Continuing Disclosure Agreement is included in Appendix E to the Final Official Statement.

Concurrently, Pardee Homes, Inc., a California corporation (“**Pardee Homes**”), as the master developer, will execute a separate Continuing Disclosure Agreement of the Developer (the “**Developer Continuing Disclosure Agreement**”) dated as of June 1, 2019. The form of the Developer Continuing Disclosure Agreement is included in Appendix F to the Final Official Statement.

4. Representations and Warranties of the District. The District represents and warrants to the Underwriter that:

(a) The District is a community facilities district duly established and validly existing under the laws of the State of California (the “**State**”), including the Act, and has the full legal right, power and authority upon satisfaction of the conditions in this Purchase Contract and the Fiscal Agent Agreement (i) to issue the Bonds for the purposes specified in Section 1 hereof, and (ii) to secure the Bonds in the manner contemplated in the Fiscal Agent Agreement.

(b) The City Council has the full legal right, power and authority to adopt the Bond Resolution, the Resolution of Formation and the Ordinance, and the District has the full legal right, power and authority (i) to enter into this Purchase Contract, the Fiscal Agent Agreement and the District Continuing Disclosure Agreement, (ii) to issue, sell and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out and consummate all other transactions on its part contemplated by each of the aforesaid documents (such documents are collectively referred to herein as the “**District Documents**”), and the District and the City Council have complied with all provisions of applicable law, including the Act, in all matters relating to such transactions.

(c) The City Council has duly authorized (i) the execution and delivery by the District of the Bonds and the execution, delivery and due performance by the District of its obligations under the District Documents, (ii) the distribution and use of the Preliminary Official Statement and execution, delivery and distribution of the Final Official Statement, and (iii) the taking of any and all such action as may be required on the part of the District to carry out, give effect to and consummate the transactions on its part contemplated by such instruments. To the best of its knowledge, all consents or approvals necessary to be obtained by the District in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) The Bond Resolution, the Resolution of Formation and the Ordinance have been duly adopted by the City Council, and are in full force and effect; and the District Documents, when executed and delivered by the District and the other party or parties

thereto, will constitute legal, valid and binding obligations of the District for and on behalf of the District enforceable against the District in accordance with their terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally.

(e) When delivered to the Underwriter, the Bonds will have been duly authorized by the City Council, as the legislative body of the District, and duly executed, issued and delivered by the District and will constitute legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and will be entitled to the benefit and security of the Fiscal Agent Agreement.

(f) The information contained in the Preliminary Official Statement is, and as of the Closing Date the information in the Final Official Statement will be, true and correct in all material respects, and neither the Preliminary Official Statement nor the Final Official Statement will as of the Closing Date contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) If, at any time prior to the earlier of receipt of notice from the Underwriter that the Final Official Statement is no longer required to be delivered under the Rule and the Closing Date (as described in Section 6 below), any event known to the officers of the District participating in the issuance of the Bonds occurs as a result of which the Final Official Statement, as then amended or supplemented, includes an untrue statement of a material fact or omits any material fact necessary to make the statements in the Final Official Statement, in light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter in writing of such event. Any information supplied by the District for inclusion in any amendments or supplements to the Final Official Statement will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) None of the adoption of the Bond Resolution, the Resolution of Formation and the Ordinance, the execution and delivery of the District Documents, the consummation of the transactions on the part of the District contemplated herein or therein and the compliance by the District with the provisions hereof or thereof will conflict in any material respect with, or constitute on the part of the District a material violation of, or a material breach of or default under, (i) any indenture, mortgage, commitment, note or other agreement or instrument to which the District is a party or by which it is bound, (ii) any provision of the State Constitution, or (iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the District (or the members of the City Council or any of its officers in their respective capacities as such) is subject, that would have a material adverse effect on the ability of the District to perform its obligations under the District Documents.

(i) The District has never been in default at any time, as to principal of or interest on any obligation which it has issued, which default may have an adverse effect on the ability of the District to consummate the transactions on its part under the District Documents, except as specifically disclosed in the Final Official Statement; and other than the Fiscal

Agent Agreement, the District has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the Net Special Tax Revenues following issuance of the Bonds.

(j) Except as is specifically disclosed in the Final Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the District has been served with process or known by the District to be threatened, which in any way questions the powers of the City Council or the District referred to in paragraph (b) above, or the validity of any proceeding taken by the City Council in connection with the issuance of the Bonds, or wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions on the part of the District contemplated by this Purchase Contract, or of any other District Document, or which, in any way, could adversely affect the validity or enforceability of the Bond Resolution, the Ordinance, the Fiscal Agent Agreement, the Bonds or this Purchase Contract or, to the knowledge of the officer of the District executing this Purchase Contract, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes, in any other way questions the status of the Bonds under California tax laws or regulations, challenges the validity of the Special Taxes, or which seeks to restrain or prohibit further development within the District.

(k) Any certificate signed by an official of the District authorized to execute such certificate and delivered to the Underwriter in connection with the transactions contemplated by the District Documents shall be deemed a representation and warranty by the District to the Underwriter as to the truth of the statements therein contained.

(l) The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(m) The Bonds will be paid from Net Special Tax Revenues received by the District and moneys held in certain funds and accounts established under the Fiscal Agent Agreement and pledged thereunder to the payment of the Bonds.

(n) The Special Taxes may lawfully be levied in accordance with the Rate and Method of Apportionment of Special Taxes for the District (the “**Rate and Method**”) and the Ordinance, and, when levied, the Special Taxes so levied will be secured by a lien on the property on which they are levied.

(o) The Fiscal Agent Agreement creates a valid pledge of and first lien upon the Net Special Tax Revenues deposited thereunder, and the moneys in certain funds and accounts established pursuant to the Fiscal Agent Agreement, subject in all cases to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(p) Except as described in the Preliminary Official Statement and the Final Official Statement, the District has not failed in any material respect to comply with any undertaking of the District under the Rule in the previous five years.

5. Blue Sky. The District covenants with the Underwriter that the District will cooperate with the Underwriter (at the cost and written direction of the Underwriter), in qualifying the Bonds for offer and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that the District shall not be required to consent to suit or to service of process, or to qualify to do business, in any jurisdiction. The District consents to the use by the Underwriter of the District Documents, the Preliminary Official Statement and the Final Official Statement in the course of its compliance with the securities or Blue Sky laws of the various jurisdictions related to the offering and sale of the Bonds.

6. Delivery of the Bonds. At 9:00 a.m. on _____, 2019 (the “Closing Date”) or at such other time or date as are mutually agreed upon by the District and the Underwriter, the District will deliver or cause to be delivered to the Underwriter the Bonds in definitive form duly executed and authenticated by the Fiscal Agent together with the other documents mentioned in Section 8 hereof; and the Underwriter will accept such delivery and pay the Purchase Price of the Bonds by making a wire transfer in federal funds payable to the order of the Fiscal Agent for the account of the District.

The activities relating to the final execution and delivery of the Bonds and the Fiscal Agent Agreement, the payment for the Bonds and the delivery of the certificates, opinions and other instruments as described in Section 8 of this Purchase Contract shall occur at the offices of Bond Counsel. The payment for the Bonds and simultaneous delivery of the Bonds to the Underwriter is herein referred to as the “Closing.”

The Bonds will be delivered as fully registered, book-entry only Bonds initially in denominations equal to the principal amount of each maturity thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, and will be made available for checking by the Underwriter at such place as the Underwriter and the Fiscal Agent shall agree not less than 24 hours prior to the Closing Date.

7. Cancellation by the Underwriter. The Underwriter shall have the right to cancel its obligations to purchase the Bonds if between the date hereof and the date of Closing:

(a) the House of Representatives or the Senate of the Congress of the United States, or a committee of either, has pending before it, or passes or recommends favorably, legislation introduced previous to the date hereof, or legislation is recommended for passage by the President of the United States, which, if enacted in its form as introduced or as amended, would have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived by the District or by any similar body under the Fiscal Agent Agreement or upon interest received on obligations of the general character of the Bonds, or of causing interest on obligations of the general character of the Bonds, to be includable in gross income for purposes of federal income taxation, and such legislation, in the Underwriter’s opinion, materially adversely affects the market price of the Bonds; or

(b) a tentative decision with respect to legislation is reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation is favorably reported or re-reported by such a committee or is introduced, by amendment or otherwise, in or is passed by the House of Representatives or the Senate, or is recommended to the Congress of the United States for passage by the President of the United

States, or is enacted, or a decision by a federal court of the United States or the United States Tax Court is rendered, or a ruling, release, order, circular, regulation or official statement by or on behalf of the United States Treasury Department, the Internal Revenue Service or other governmental agency is made or proposed to be made, having the purpose or effect, or any other action or event occurs which has the purpose or effect, directly or indirectly, of adversely affecting the federal income tax consequences of owning the Bonds, including causing interest on the Bonds to be included in gross income for purposes of federal income taxation, or imposing federal income taxation upon revenues or other income of the general character to be derived by the District under the Fiscal Agent Agreement or upon interest received on obligations of the general character of the Bonds, or the Bonds and also including adversely affecting the tax-exempt status of the District under the Code, which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of or market for the Bonds; or

(c) legislation is enacted, or actively considered for enactment with an effective date prior to the Closing Date, or a decision by a court of the United States is rendered, the effect of which is that the Bonds or the Fiscal Agent Agreement, as the case may be, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(d) a stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter is issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds or the execution and delivery of the Fiscal Agent Agreement as contemplated hereby or by the Final Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) any event occurs or any information becomes known to the Underwriter that causes the Underwriter to reasonably believe that the Final Official Statement includes an untrue statement of a material fact, or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or

(f) there occurs any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(g) there is in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(h) a general banking moratorium is declared by federal, New York or State authorities; or

(i) any investigation or proceeding is pending or threatened by the Securities and Exchange Commission against the City or the District; or

(j) additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange which in the reasonable judgment of the Underwriter materially adversely affects the Underwriter's ability to sell the Bonds; or

(k) the New York Stock Exchange or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increases materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter; or

(l) the occurrence of an event listed in subparagraph (j) to Section 4 hereof; or

(m) an amendment to the federal or State constitution is enacted or action taken by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District, its property, income or securities (or interest thereon), the validity or enforceability of the Special Tax or the ability of the District to issue the Bonds and levy the Special Tax as contemplated by the Fiscal Agent Agreement, the Rate and Method and the Final Official Statement.

8. Conditions to the Obligations of the Underwriter. The obligation of the Underwriter to purchase the Bonds shall be subject (a) to the performance by the District of its obligations to be performed by it hereunder at and prior to the Closing Date, (b) to the accuracy as of the date hereof and as of the Closing Date of the representations and warranties of the District herein, and (c) to the following conditions, including the delivery by the District of such documents as are enumerated herein in form and substance satisfactory to the Underwriter and the accuracy as of the Closing Date of the representations and warranties included therein:

(a) At the time of Closing, (i) the Final Official Statement, this Purchase Contract, the District Continuing Disclosure Agreement, the Developer Continuing Disclosure Agreement, and the Fiscal Agent Agreement shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to by the Underwriter, and (ii) the District shall have duly adopted and there shall be in full force and effect such resolutions and ordinances (including, but not limited to, the Bond Resolution, the Resolution of Formation and the Ordinance) as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(b) Receipt of the Bonds, executed by the District and authenticated by the Fiscal Agent, at or prior to the Closing Date. The terms of the Bonds, when delivered, shall in all instances be as described in the Final Official Statement.

(c) At or prior to the Closing Date, the Underwriter shall receive the following documents in such number of counterparts as shall be mutually agreeable to the Underwriter and the District:

(i) A final approving opinion of Bond Counsel dated the date of Closing in the form attached to the Final Official Statement as Appendix D.

(ii) A letter or letters of Bond Counsel addressed to the Underwriter and the Fiscal Agent, which includes a statement to the effect that Bond Counsel's final approving opinion may be relied upon by the Underwriter and the Fiscal Agent to the same extent as if such opinion were addressed to the Underwriter and the Fiscal Agent, and a supplemental opinion of Bond Counsel addressed to the Underwriter to the effect that:

(A) the statements contained in the Final Official Statement on the cover page and under the captions "INTRODUCTION," "THE 2019 BONDS" (other than information relating to DTC and its book-entry only system, as to which no opinion need be expressed), "SOURCE OF PAYMENTS FOR THE 2019 BONDS" and "TAX MATTERS," and in Appendices C and D thereto, are accurate insofar as such statements expressly summarize certain provisions of the Bonds, the Fiscal Agent Agreement and Bond Counsel's opinion concerning certain federal tax matters relating to the Bonds;

(B) the District has duly and validly executed and delivered this Purchase Contract and the District Continuing Disclosure Agreement and this Purchase Contract and the District Continuing Disclosure Agreement constitute the legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought;

(C) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(iii) A letter of Quint & Thimmig LLP, as disclosure counsel to the District in connection with the Bonds ("**Disclosure Counsel**"), addressed to the District and the Underwriter, to the effect that during the course of serving as Disclosure Counsel in connection with the issuance of the Bonds and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Final Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that would lead them to believe that the Preliminary Official Statement as of its date or the Final Official Statement as its date or as of the Closing Date (excluding therefrom the financial statements, any financial or statistical data, or forecasts, charts, numbers, estimates, projections, assumptions or expressions of opinion included in the Preliminary Official Statement or the Final Official Statement, information regarding DTC and the book-entry system for the Bonds, and the appendices to the Final Official Statement, as to which no opinion need be

expressed), contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iv) The Final Official Statement executed on behalf of the District by a duly authorized officer of the District.

(v) Certified copies of the Bond Resolution, the Resolution of Formation and the Ordinance.

(vi) Evidence of recordation in the real property records of the County of San Diego of the Notice of Special Tax Lien (as such term is used in the Final Official Statement), and any amendments thereto, in the form required by the Act.

(vii) A certificate, in form and substance as set forth in Exhibit B hereto, of the District, dated as of the Closing Date.

(viii) Evidence that Federal Form 8038 has been executed by the District and will be filed with the Internal Revenue Service.

(ix) Executed copies of the Fiscal Agent Agreement, the District Continuing Disclosure Agreement and the Developer Continuing Disclosure Agreement.

(x) An arbitrage certificate in form satisfactory to Bond Counsel.

(xi) An opinion, dated the Closing Date and addressed to the Underwriter and the Fiscal Agent, of the City Attorney of the City, as counsel to the District, to the effect that:

(A) the District is duly organized and validly existing as a community facilities district under the laws of the State;

(B) the City Council has duly and validly executed and delivered the Fiscal Agent Agreement and the District Continuing Disclosure Agreement, and the Fiscal Agent Agreement and the District Continuing Disclosure Agreement constitute legal, valid and binding obligations of the District enforceable against the District in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought;

(C) the Bond Resolution, the Resolution of Formation and the Ordinance were each duly adopted at meetings of the City Council which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Bond Resolution, the Resolution of Formation and the Ordinance are in full force and effect and have not been modified, amended or rescinded;

(D) except as described in the Final Official Statement, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, governmental agency or body, pending and notice of which has been served on and received by the District or, to the best of such counsel's current actual knowledge, threatened against the District, challenging the creation, organization or existence of the District, or the validity of the Bonds or the District Documents or contesting the authority of the District to enter into or perform its obligations under any of the such documents, or which, in any manner, questions the right of the District to issue the Bonds, or the levy of Special Taxes, or the allocation and payment of the Net Special Tax Revenues to the District and the other security for the Bonds provided by the Fiscal Agent Agreement; and

(E) to the best of such counsel's current actual knowledge, the authorization, execution and delivery of the Bonds and the District Documents by the District, the compliance with the provisions thereof by the District, and the performance by the District of its obligations thereunder, will not conflict with, or constitute a breach or default under, in any material respect, any law, administrative regulation, court decree, resolution, ordinance or other agreement to which the City or the District is subject or by which the City or the District is bound.

(xii) In connection with printing and distribution of the Preliminary Official Statement, an executed certificate of the District in the form attached hereto as Exhibit C.

(xiii) A certificate in form and substance as set forth in Exhibit D hereto of the Fiscal Agent.

(xiv) An opinion of counsel to the Fiscal Agent in form and substance satisfactory to the Underwriter dated the Closing Date and addressed to the District and the Underwriter to the effect that the Fiscal Agent has duly authorized, executed and delivered the Fiscal Agent Agreement and that the Fiscal Agent Agreement is a valid and binding obligation of the Fiscal Agent enforceable in accordance with its terms.

(xv) A certificate of Stephen G. White, MAI, Fullerton, California (the "Appraiser"), in the form attached hereto as Exhibit E, along with a copy of its appraisal report in the form attached to the Final Official Statement as Appendix H.

(xvi) A copy of the Developer Continuing Disclosure Agreement executed by Pardee Homes.

(xvii) An executed certificate, dated the date of the Preliminary Official Statement, of each of Pardee Homes and TRI Pointe Homes, Inc. in the form attached hereto as Exhibit F with such changes as may be approved by the Underwriter.

(xviii) An executed closing certificate, dated the Closing Date, of each of Pardee Homes and TRI Pointe Homes, Inc. dated as of the Closing Date in the form

attached hereto as Exhibit G with such changes as may be approved by the Underwriter.

(xix) An opinion or opinions of counsel to Pardee Homes and TRI Pointe Homes, Inc. (together, the “**Developers**”) addressed to the District and the Underwriter to the effect that: (A) Pardee Homes is a California corporation, duly organized and existing under the laws of the State; (B) TRI Pointe Homes, Inc. is a Delaware corporation, duly organized and existing under the laws of the State of Delaware; (C) Pardee Homes has duly and validly authorized the execution and delivery of the Developer Continuing Disclosure Agreement and the same is in full force and effect as of the Closing Date and is a valid and legally binding obligation of Pardee Homes, enforceable against Pardee Homes in accordance with its terms, (D) the execution and delivery by Pardee Homes of the Developer Continuing Disclosure Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under any agreement or other instrument to which Pardee Homes is a party, (E) the Developers are not in violation of any provision of or in default under, their organizational documents or any agreement or other instrument, violation of or default under which would materially and adversely affect Pardee’s ability to comply with its obligations under the Developer Continuing Disclosure Agreement or the Developers’ ability to pay the Special Taxes, (F) except as set forth in the Final Official Statement, there is no litigation pending against the Developers (with service of process to the Developers having been duly given and completed) or overtly threatened against the Developers which would materially and adversely affect the validity or enforceability of the Developer Continuing Disclosure Agreement executed by Pardee Homes or the Developers’ ability to pay the Special Taxes and (G) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Final Official Statement and without passing upon or assuming responsibility for the accuracy, completeness or fairness of such statements, no information has come to the attention of such counsel(s) during the course of their representation of the Developer which causes them to believe that the statements contained in the Final Official Statement under the captions entitled “INTRODUCTION – The District,” “THE DISTRICT – Location and Description of the District,” “– The Improvements,” “– The Developers,” “– Land Ownership,” SPECIAL RISK FACTORS – Failure to Complete Development,” “– Endangered Species,” and “CONTINUING DISCLOSURE,” solely as such information describes the Developers, the Developers’ organization, the Property, and the Developers’ development and financing plans regarding the Property, as of the date of the Final Official Statement contained, or as of the date hereof contains, any untrue statement of a material fact or as of the date of the Final Official Statement omitted, or as of the date hereof omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need to be expressed as to any information which is attributable to a source other than the Developers contained in the Final Official Statement);

(xx) An opinion of Stradling, Yocca Carlson & Rauth, a Professional Corporation, as counsel to the Underwriter, in form and substance acceptable to the Underwriter.

(xxi) A certificate of Webb Municipal Finance, LLC, Riverside, California. (the “**Special Tax Consultant**”) in the form attached as Exhibit H.

(xxii) A certificate of Empire Economics, Inc. in the form attached as Exhibit I.

(xxiii) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the District with legal requirements, the truth and accuracy, as of the time of Closing, of the respective representations of the District herein contained and the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

If the District shall be unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Contract, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the District shall be under further obligation hereunder; except that the respective obligations to pay expenses, as provided in Section 11 hereof shall continue in full force and effect.

9. Conditions to the Obligations of the District. The obligations of the District to issue and deliver the Bonds on the Closing Date shall be subject, at the option of the District, to the performance by the Underwriter of its obligations to be performed hereunder at or prior to the Closing Date, and to the delivery by Bond Counsel and Disclosure Counsel of the opinion and the letter, respectively, described in Sections 8(c)(i) and (iii) above.

10. Survival of Representations and Warranties. All representations, warranties and agreements of the District hereunder shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter, and shall survive the Closing.

11. Expenses. Whether or not the Bonds are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid (out of any legally available funds of the District) all expenses incident to the performance of the District’s obligations hereunder, including, but not limited to, the cost of printing, engraving and delivering the Bonds to the Underwriter, the cost of preparation, printing, distribution and delivery of the Fiscal Agent Agreement, the Preliminary Official Statement, the Final Official Statement and all other agreements and documents contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter; and the fees and disbursements of the Special Tax Consultant, the Municipal Advisor, the Fiscal Agent, the Appraiser, Bond Counsel and Disclosure Counsel and any accountants, engineers or any other experts or consultants the City or the District has retained in connection with the Bonds; and

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission; the fees and expenses of its counsel, MSRB and the CUSIP Bureau; any reports run by the Underwriter for the purpose of determining compliance by the District with the Rule; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in paragraph (a) of this section), including any advertising expenses.

12. Notices. Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to the following: Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Sara Oberlies Brown, Managing Director.

13. Parties in Interest. This Purchase Contract is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter) and no other person, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof.

14. Governing Law. This Purchase Contract shall be governed by and construed in accordance with the laws of the State applicable to contracts made and performed in the State.

15. Effectiveness. This Purchase Contract shall become effective upon acceptance hereof by the District.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

16. Execution in Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Managing Director

Accepted and agreed to as of
the date first above written:

COMMUNITY FACILITIES DISTRICT NO.
2017-1 (WESTON INFRASTRUCTURE) OF
THE CITY OF SANTEE

By: _____
City Manager

Time of Execution: _____

EXHIBIT A

\$ _____
COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS

MATURITY SCHEDULE

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Used</i>
	\$	%			

[^C Priced to the optional redemption date of September 1, 20__, at par.]

REDEMPTION PROVISIONS

Optional Redemption. The Bonds may be redeemed at the option of the District prior to maturity as a whole, or in part, on any Interest Payment Date on and after September 1, 20__, from such maturities as are selected by the District, and by lot within a maturity, from any source of funds, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 20__ and March 1, 20__	103%

September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

Extraordinary Mandatory Redemption. The Bonds shall be subject to extraordinary mandatory redemption on any Interest Payment Date, prior to maturity, as a whole, or in from such maturities as are selected by the District, and by lot within a maturity, from amounts deposited to the Redemption Fund in connection with a Prepayment of Special Taxes pursuant to the Special Tax RMA. Such extraordinary mandatory redemption of the Bonds shall be 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:

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

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 20__ at a redemption price equal to the principal amount of the Term Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

<u>Redemption Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u> \$
--	---

(maturity)

The Term Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption, in part, by lot, on September 1 of each year commencing September 1, 20__, at a redemption price equal to the principal amount of the Term Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amounts and in the years shown in the following redemption schedule.

<u>Redemption Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u> \$
--	---

(maturity)

In the event of a partial optional redemption or extraordinary mandatory redemption of the Term Bonds maturing on September 1, 20__ or September 1, 20__ each of the remaining mandatory sinking fund payments for the applicable maturity of the Term Bonds so redeemed will be reduced, as nearly as practicable, on a pro rata basis in integral multiples of \$5,000.

EXHIBIT B

\$ _____

**COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS**

DISTRICT CLOSING CERTIFICATE

I, the undersigned, hereby certify that I am the City Manager of the City of Santee, California, the City Council of which is the legislative body for Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the "District"), a community facilities district duly organized and existing under the laws of the State of California (the "State") and that as such, I am authorized to execute this Certificate on behalf of the District in connection with the issuance of the above-referenced 2019 Special Tax Bonds (the "Bonds").

I hereby further certify on behalf of the District that:

(A) the representations and warranties made by the District in the Purchase Contract are true and correct in all material respects on the Closing Date, with the same effect as if made on the Closing Date;

(B) no event has occurred since the date of the Final Official Statement that, as of the Closing Date, would cause any statement or information contained in the Final Official Statement to be incorrect or incomplete in any material respect or would cause the information in the Final Official Statement to contain an untrue statement of a material fact or omit to state a material fact necessary in order to make such statements therein, in the light of the circumstances under which they were made, not misleading;

(C) as of the date hereof, the Fiscal Agent Agreement and the District Continuing Disclosure Agreement are in full force and effect in accordance with their terms and have not been amended, modified or supplemented except in such case as may have been agreed to by the Underwriter; and

(D) the District has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the District Documents prior to issuance of the Bonds.

Capitalized terms used in this Certificate and not defined herein have the meanings set forth in the Bond Purchase Agreement dated _____, 2019, between Stifel, Nicolaus & Company, Incorporated, as Underwriter, and the District.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the date set forth below.

Dated: _____, 2019

COMMUNITY FACILITIES DISTRICT NO.
2017-1 (WESTON INFRASTRUCTURE) OF
THE CITY OF SANTEE

By: _____
City Manager

EXHIBIT C

**§ _____
COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS**

RULE 15C2-12 CERTIFICATE

The undersigned hereby certifies and represents that he is the duly appointed and acting Director of Finance/Treasurer of the City of Santee, California and, as such, is duly authorized to execute and deliver this Certificate on behalf of Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the "District") and further hereby certifies as follows:

(1) This Certificate is delivered in connection with the offering and sale of the above-referenced bonds (the "Bonds") in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement dated _____, 2019, setting forth information concerning the Bonds and the District (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule.

IN WITNESS WHEREOF, I have executed this Rule 15c2-12 Certificate as of _____, 2019.

COMMUNITY FACILITIES DISTRICT NO.
2017-1 (WESTON INFRASTRUCTURE) OF
THE CITY OF SANTEE

By: _____
Director of Finance/Treasurer

EXHIBIT D

\$ _____
COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS

CERTIFICATE OF FISCAL AGENT

The undersigned hereby states and certifies that the undersigned is an authorized officer of U.S. Bank National Association, which is acting as fiscal agent (the "Fiscal Agent") under that certain Fiscal Agent Agreement, dated as of June 1, 2019 (the "Fiscal Agent Agreement"), by and between Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the "District") and the Fiscal Agent relating to the above-captioned bonds (the "Bonds") and as such, is familiar with the following facts and is authorized and qualified to certify the following facts on behalf of the Fiscal Agent:

(1) The Fiscal Agent is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Fiscal Agent Agreement.

(2) The Fiscal Agent Agreement has been duly authorized, executed and delivered by the Fiscal Agent, and is a legal, valid and binding agreement of the Fiscal Agent enforceable upon the Fiscal Agent in accordance with its terms.

(3) The Bonds have been authenticated by a duly authorized representative of the Fiscal Agent in accordance with the Fiscal Agent Agreement.

(4) To the knowledge of the undersigned, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Fiscal Agent or threatened against the Fiscal Agent which in the reasonable judgment of the undersigned would affect the existence of the Fiscal Agent or in any way contesting or affecting the validity or enforceability of the Fiscal Agent Agreement or contesting the powers of the Fiscal Agent or its authority to enter into and perform its obligations under the Fiscal Agent Agreement.

(5) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Fiscal Agent that has not been obtained is or will be required for the authentication of the Bonds, or the consummation by the Fiscal Agent of the other transactions contemplated to be performed by the Fiscal Agent in connection with the authentication of the Bonds and the acceptance and performance of the obligations created by the Fiscal Agent Agreement. The Fiscal Agent is not certifying as to the compliance with any federal or state securities laws.

(6) The execution and delivery by the Fiscal Agent of the Fiscal Agent Agreement and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which the Fiscal Agent is a party or by which it is bound,

or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Fiscal Agent or any of its activities or properties, or (except with respect to the lien of the Fiscal Agent Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Fiscal Agent.

Dated: _____, 2019

U.S. BANK NATIONAL ASSOCIATION

By _____
Authorized Officer

EXHIBIT E

\$ _____

**COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS**

CERTIFICATE OF APPRAISER

The undersigned, on behalf of Stephen G. White, MAI (the "Appraiser"), has prepared an "Appraisal Report" dated March 13, 2019 (the "Appraisal Report") regarding the value of parcels of real property and related improvements (the "Appraised Property") within Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the "District") that are subject to the levy of special taxes in the District, and certifies that:

1. The assumptions made in the Appraisal Report are reasonable. The Appraisal Report fairly and accurately described, as of the stated date of value, the market values of the Appraised Property.
2. The Appraiser is not aware of any event or act that occurred since the date of the Appraisal Report which, in his opinion, would materially and adversely affect the conclusions as to the market value of the Appraised Property.
3. The Appraiser consents to the reproduction of the Appraisal Report as Appendix H to the Preliminary Official Statement dated _____, 2019 (the "Preliminary Official Statement"), and the Official Statement dated _____, 2019 (the "Official Statement"), each with respect to the above-referenced bonds, and to the references to the Appraiser and the Appraisal Report made in the Preliminary Official Statement and the Official Statement.
4. The Appraiser has reviewed the Preliminary Official Statement and the Official Statement, and the statements concerning the Appraisal Report and the value of the Appraised Property contained in the Preliminary Official Statement and the Official Statement are true, correct and complete in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
5. A true and correct copy of the Appraisal Report is attached as Appendix H to the Preliminary Official Statement and as Appendix H to the Official Statement.
6. The Appraisal Report complies with the Appraisal Standards for Land-Secured Financings issued by the California Debt and Investment Advisory Commission and dated July 2004.

Dated: _____, 2019

STEPHEN G. WHITE, MAI

By: _____

Its: _____

EXHIBIT F

\$ _____
COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS

CERTIFICATE OF [PARDEE HOMES/TRI POINTE HOMES, INC.]

Dated: _____, 2019

In connection with the issuance and sale of the above-captioned bonds (the "Bonds"), and pursuant to the Bond Purchase Agreement (the "Bond Purchase Agreement") to be executed by and between Community Facilities District 2017-1 (Weston Infrastructure) of the City of Santee (the "District"), and Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), [Pardee Homes/TRI Pointe Homes, Inc.] (the "Developer"), hereby certifies, represents, warrants and covenants to the District and the Underwriter, as of the date hereof that:

(1) The undersigned is duly authorized to execute this Certificate on behalf of the Developer.

(2) This Certificate is delivered in connection with the offering and sale of the Bonds pursuant to Section 8(c)(xvii) of the Bond Purchase Agreement.

(3) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement (including all appendices, the "Preliminary Official Statement"), setting forth information about, among other things, the Developer, the Developer's organization, the land owned by the Developer within the District (the "Property"), and the Developer's development and financing plans regarding the Property.

(4) As of the date thereof, the information in the Preliminary Official Statement under the captions entitled "INTRODUCTION – The District," "THE DISTRICT – Location and Description of the District," "– The Improvements," "– The Developers," "– Land Ownership," "SPECIAL RISK FACTORS – Failure to Complete Development," "– Endangered Species," and "CONTINUING DISCLOSURE," solely as such information describes the Developer, the Developer's organization, the Property, and the Developer's development and financing plans regarding the Property, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(5) [Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned (as defined below) the Developer has not previously failed to comply in all material respects with any previous continuing disclosure obligation under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, in respect to other community facilities district bond issues in California within the last five years.]

(6) With respect to property owned by the Developer located within the boundaries of a development project in California, to the Actual Knowledge of the Undersigned, within the last five years, the Developer has not (i) intentionally failed in any material respect to pay when due any property taxes, special taxes, or assessments levied or assessed against such property, (ii) had any such property become either tax deeded to the state or the subject of judicial foreclosure proceedings for failure to pay such property taxes, special taxes, or assessments levied or assessed against such property, or (iii) failed to cure such material delinquencies within sixty days of becoming aware of such delinquencies.

(7) To the Actual Knowledge of the Undersigned, there are no events of monetary default or events which with the passage of time would constitute a monetary default under any loan or similar credit arrangement to which the Developer is a party the result of which could have a material adverse effect on either Developer's ability to develop the Property as described in the Preliminary Official Statement or its ability to pay Special Taxes related to the Property and for which the Developer is responsible prior to delinquency.

(8) To the Actual Knowledge of the Undersigned, the Developer has not incurred any obligation or liability, contingent or otherwise, that could reasonably be expected to have a material adverse effect on the Developer's ability to develop the Property as described in the Preliminary Official Statement or to pay Special Taxes related to the Property and for which the Developer is responsible prior to delinquency.

(9) The Developer has never been adjudicated as bankrupt or discharged from any or all of their debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts. Except as disclosed in the Preliminary Official Statement, the Developer does not have any proceedings pending (with service of process to the Developers having been accomplished) or, to the Actual Knowledge of the Undersigned, overtly threatened in which the Developer may be adjudicated as bankrupt, become the debtor in a bankruptcy proceeding, be discharged from any or all of its debts or obligations, be granted an extension of time to pay its debts or obligations, or be granted a reorganization or readjustment of its debts or obligations.

(10) To the Actual Knowledge of the Undersigned, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body naming the Developer as a party, is pending (based upon service of process having been accomplished) or, to the Actual Knowledge of the Undersigned, overtly threatened in writing (a) in any way seeking to restrain or enjoin the development of the Property, (b) adversely affecting the Developer's ability to pay the Special Taxes, the special benefit assessments (if any) or ad valorem property tax obligations when due on the Property, or (c) which challenges or questions the validity or enforceability of the Bonds, the Bond Resolution, the Resolution of Formation and the Ordinance, the Fiscal Agent Agreement, the Developer Continuing Disclosure Agreement executed by Pardee Homes, or the Bond Purchase Agreement relating to the Bonds.

(11) To the Actual Knowledge of the Undersigned, the issuance of the Bonds and the Developer's participation in the proceedings relating to the issuance of the Bonds will not conflict in any material respect with, or constitute on the part of the Developer a material violation of, or a material breach of or a material default under, (i) any indenture, mortgage,

commitment, note or other material agreement or instrument to which the Developer is a party or by which it is bound or (ii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the Developer is subject.

(12) To the Actual Knowledge of the Undersigned, there are no hazardous substances on the Property that could reasonably be expected to have a material adverse impact the Developer's ability to own and develop the Property as described in the Preliminary Official Statement.

(13) As used in this Certificate, the term "Actual Knowledge of the Undersigned" means the actual (as opposed to constructive) knowledge that the undersigned currently has as of the date of this Certificate or has obtained from (i) interviews with such current officers and responsible employees of the Developer as the undersigned has determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Certificate, and/or (ii) a review of such documents as the undersigned determined were reasonably necessary to obtain knowledge of the matters set forth in this Certificate. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer's current business and operations. The Developer has not contacted individuals who are no longer employed by the Developer.

(14) All capitalized terms used and not otherwise defined herein have the meanings set forth in the Bond Purchase Agreement.

[PARDEE HOMES/TRI POINTE HOMES, INC.]

By: _____
[Authorized Representative]

EXHIBIT G

\$ _____

**COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS**

CLOSING CERTIFICATE OF [PARDEE HOMES/TRI POINTE HOMES, INC.]

Dated: _____, 2019

In connection with the issuance and sale of the above-captioned bonds (the "Bonds"), and pursuant to the Bond Purchase Agreement (the "Bond Purchase Agreement") executed by and between Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the "District"), and Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), [Pardee Homes/TRI Pointe Homes, Inc.] (the "Developer") hereby certifies, represents, warrants and covenants to the City and the Underwriter, as to the items enumerated below as of the date hereof. Capitalized terms used herein that are not defined herein shall have the meanings ascribed to such terms in the Certificate of [Pardee Homes/TRI Pointe Homes, Inc.], dated _____, 2019 (the "POS Certificate"), delivered by [Pardee Homes/TRI Pointe Homes, Inc.]

(1) The undersigned is duly authorized to execute this certificate on behalf of the Developer.

(2) [Pardee Homes, a California corporation, is duly authorized to execute, deliver and perform its Developer Continuing Disclosure Agreement].

(3) [Pardee Homes has duly executed and delivered the Developer Continuing Disclosure Agreement].

(4) Except as disclosed in the final Official Statement relating to the Bonds (the "Final Official Statement"), to the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement which has materially and adversely affected, or is reasonably expected to materially and adversely affect, the business, properties, operations or financial condition of the Developer.

(5) Except as disclosed in the Final Official Statement, the Developer has not submitted an application for, nor to the Actual Knowledge of the Undersigned, received actual notice of (i) the formation or authorization of any assessment district or community facilities district that would include any portion of the Developer's land within the District, or (ii) the authorization or issuance of any debt secured by a special tax to be levied on any portion of the Developer's land within the District, other than the Special Tax.

(6) The representations and warranties made by the Developer in the POS Certificate are true and correct in all material respects on and as of the date hereof, with the same effect as if made on the date hereof, except that all references to the Preliminary Official Statement in the POS Certificate shall be deemed references to the Final Official Statement.

(7) For a period of 25 days after the date hereof, if the undersigned receives actual knowledge of any event relating to or affecting the Developer, or the ownership or development of the Property which could cause the information under the captions of the Final Official Statement indicated in Section 4 of the POS Certificate (and subject to the limitations and exclusions contained in Section 4 of the POS Certificate) to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Developer shall notify the District and the Underwriter and if, in the opinion of counsel to the District or the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Final Official Statement, the Developer shall reasonably cooperate with the District in the preparation of an amendment or supplement to the Final Official Statement in form and substance satisfactory to counsel to the District and to the Underwriter.

(8) The Developer covenants that, while the Bonds are outstanding, the Developer will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body which in any way seeks to challenge or overturn (i) the existence of the District, (ii) the levy of special taxes in the District in accordance with Ordinance No. 548, adopted by the City Council of the City of Santee, as the legislative body of the District, on October 11, 2017 (the "Special Taxes"), or any other ordinance adopted by the City Council providing for the levy of Special Taxes in accordance with the Rate and Method described below) or (iii) the validity of the Bonds or the proceedings leading up to their issuance. The foregoing covenant shall not prevent the Developer from bringing an action or suit contending that the Special Taxes have not been levied in accordance with the methodology contained in the Rate and Method (as defined in the Bond Purchase Agreement).

[Pardee Homes/TRI Pointe Homes, Inc.]

By: _____
[Authorized Representative]

EXHIBIT H

\$ _____

**COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS**

CERTIFICATE OF SPECIAL TAX CONSULTANT

Webb Municipal Finance, LLC (the "Special Tax Consultant"), Riverside, California is the Special Tax Consultant for the referenced community facilities district and has read the Rate and Method of Apportionment of Special Tax (the "Rate and Method") set forth in Appendix B to the Official Statement dated _____, 2019 (the "Official Statement") relating to the above-referenced bonds (the "Bonds"). The Special Tax Consultant hereby certifies that the Special Tax, if collected in the maximum amounts permitted pursuant to the Rate and Method would be sufficient to pay the Administrative Expense Requirement and the scheduled debt service on the Bonds, provided that the annual debt service figures on the debt service schedule included in the Official Statement, which were relied upon by the Special Tax Consultant, are substantially true and correct.

The summary of the Rate and Method in the section of the Official Statement entitled "SOURCES OF PAYMENT FOR THE 2019 BONDS – Summary of Rate and Method" is a fair and accurate summary of the Rate and Method, and a true and correct copy of the Rate and Method is attached to the Official Statement as Appendix B. All of the tabular and financial information provided by the Special Tax Consultant and included in the Official Statement is true and correct in all material respects.

Dated: _____, 2019

WEBB MUNICIPAL FINANCE, LLC

By: _____
Its: _____

EXHIBIT I

\$ _____
COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS

CERTIFICATE OF MARKET ABSORPTION CONSULTANT

_____, 2019

The undersigned hereby states and certifies:

1. That he is an authorized principal of Empire Economics, Inc. (the "Market Absorption Consultant") and as such is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That the Market Absorption Consultant has prepared an Market Absorption Study, dated February 20, 2019, and revised on April 4, 2019 (the "Absorption Analysis"), on behalf of Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the "District") in connection with the Preliminary Official Statement, dated _____, 2019 (the "Preliminary Official Statement") and the Official Statement dated _____, 2019 ("Official Statement"), for the Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee 2019 Special Tax Bonds (the "Bonds").

3. That the Market Absorption Consultant hereby consents to the reproduction and use of the Absorption Analysis appended to the Preliminary Official Statement and the Official Statement. The Market Absorption Consultant also consents to the references to the Market Absorption Consultant and the Absorption Analysis made in the Preliminary Official Statement and the Official Statement.

4. In the opinion of the Market Absorption Consultant the assumptions made in the Absorption Analysis are reasonable. Since the date of the Absorption Analysis, the Market Absorption Consultant is not aware of any facts that would cause its opinion as to the timing of home sales in the District to be different than the Absorption Analysis.

5. That, as of the date of the Official Statement and as of the date hereof, the Absorption Analysis appended to the Official Statement, to the best of my knowledge and belief, and subject to all of the limiting conditions and major assumptions set forth in the Absorption Analysis, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and no events or occurrences have been ascertained by us or have come to our attention that would substantially change the estimated values stated in the Absorption Analysis. However, we have not performed any procedures since the date of the Absorption Analysis to obtain knowledge of such events or occurrences nor are we obligated to do so in the future.

6. The District and the underwriter, Stifel, Nicolaus & Company, are entitled to rely on the Certificate.

EMPIRE ECONOMICS, INC.

By: _____
Authorized Representative

EXHIBIT J

\$ _____
**COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS**

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (“Stifel”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Stifel offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated _____, 2019, by and between Stifel and the Issuer, Stifel has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

3. ***Reserve Fund.***

The establishment of the Reserve Fund for the Bonds in the amount of the Reserve Requirement (as such term is defined in the Fiscal Agent Agreement, dated as of June 1, 2019, by and between the Issuer and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”) pursuant to which the Bonds are being issued) was vital to the marketing of the Bonds and reasonably required to assure payment of debt service on the Bonds.

4. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) [Hold-the-Offering-Price Maturities means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (April 4, 2019), or (ii) the date on which Stifel has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Issuer* means Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) [Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2019.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in a Certificate as to Arbitrage and Tax Compliance Procedures for the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Best Best & Krieger LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____

Name: _____

Dated: _____, 2019

[SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

ATTACHMENT 5

PRELIMINARY OFFICIAL STATEMENT

**Community Facilities District No. 2017-1
(Weston Infrastructure)**

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2019**NEW ISSUE – BOOK ENTRY ONLY****NO RATING**

In the opinion of Best Best & Krieger LLP San Diego, California (“Bond Counsel”), subject to certain qualifications described in this Official Statement, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the 2019 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the 2019 Bonds is exempt from California personal income tax. See “TAX MATTERS” herein.



\$8,855,000*
COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS

Dated: date of issuance**Due: September 1, as shown on inside cover**

Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the “District”) is issuing the above-captioned bonds (the “2019 Bonds”) to (i) finance public improvements authorized to be funded by the District, (ii) fund a reserve fund for the 2019 Bonds, (iii) fund interest due on the 2019 Bonds on September 1, 2019, (iv) provide funds for administrative expenses of the District, and (v) pay costs of issuing the 2019 Bonds. See “PLAN OF FINANCING.” The 2019 Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 2019 (the “Fiscal Agent Agreement”), by and between the District and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”). The District is located in the City of Santee, California (the “City”).

The 2019 Bonds are payable from Net Special Tax Revenues, derived from the proceeds of annual Special Taxes (as such capitalized terms are defined in the Fiscal Agent Agreement) levied on property located within the District (see “THE DISTRICT”), and from certain funds pledged under the Fiscal Agent Agreement. The Special Tax is being levied according to a rate and method of apportionment of Special Taxes approved by the City Council of the City, acting as the legislative body of the District, in September of 2017. See “SOURCES OF PAYMENT FOR THE 2019 BONDS—Special Taxes” and APPENDIX B – “Rate and Method.”

Interest on the 2019 Bonds is payable on March 1 and September 1 of each year, commencing on September 1, 2019. The 2019 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2019 Bonds. Individual purchases of the 2019 Bonds will be made in book-entry form only. Purchasers of the 2019 Bonds will not receive physical certificates representing their ownership interests in the 2019 Bonds purchased. Principal of and interest on the 2019 Bonds are payable directly to DTC by the Fiscal Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the 2019 Bonds. See “THE 2019 BONDS” and APPENDIX G – “DTC and the Book-Entry Only System.”

The 2019 Bonds are subject to optional and mandatory redemption prior to maturity. See “THE 2019 BONDS—Redemption.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, OR OF THE CITY OR THE STATE OF CALIFORNIA OR OF ANY OF THEIR RESPECTIVE POLITICAL SUBDIVISIONS, IS PLEDGED TO THE PAYMENT OF THE 2019 BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE 2019 BONDS. THE 2019 BONDS ARE NEITHER GENERAL NOR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT, PAYABLE SOLELY FROM CERTAIN AMOUNTS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

This cover page contains certain information for quick reference only. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the 2019 Bonds. The purchase of the 2019 Bonds involves significant risks, and the 2019 Bonds are not appropriate investments for all types of investors. See “SPECIAL RISK FACTORS” in this Official Statement for a discussion of certain risk factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the 2019 Bonds.

The 2019 Bonds are offered when, as and if issued, subject to approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and certain other conditions. Certain legal matters with respect to the 2019 Bonds will be passed upon for the District by Best Best & Krieger LLP, in its capacity as City Attorney, and by Quint & Thimmig LLP, Larkspur, California, in its capacity as Disclosure Counsel to the District for the 2019 Bonds. Certain legal matters related to the 2019 Bonds will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Underwriter’s Counsel. It is anticipated that the 2019 Bonds in definitive form will be available for delivery to DTC on or about June __, 2019.

STIFEL

The date of this Official Statement is June __, 2019.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$8,855,000*
**COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE
2019 SPECIAL TAX BONDS**

Maturity Schedule

\$ _____ Serial Bonds, CUSIP Prefix _____ (1)

<u>Maturity Date</u> (September 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>Suffix</u> (1)
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\$ _____ % Term Bonds due September 1, _____ Yield _____ % Price _____ CUSIP Number _____ (1)
\$ _____ % Term Bonds due September 1, 2049 Yield _____ % Price _____ CUSIP Number _____ (1)

* Preliminary, subject to change.

(1) Copyright 2019, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information contained in this Official Statement has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices, and nothing contained in this Official Statement should be relied upon as a promise or representation by the Underwriter.

Neither the District nor the Underwriter has authorized any dealer, broker, salesperson or other person to give any information or make any representations with respect to the offer or sale of 2019 Bonds other than as contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the District or the Underwriter. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2019 Bonds shall under any circumstances create any implication that there has been no change in the affairs of any party described in this Official Statement, or in the status of any property described in this Official Statement, subsequent to the date as of which such information is presented.

This Official Statement and the information contained in this Official Statement are subject to amendment without notice. The 2019 Bonds may not be sold, and no offer to buy the 2019 Bonds may be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the 2019 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

All summaries of the documents referred to in this Official Statement are qualified by the provisions of the respective documents summarized and do not purport to be complete statements of any or all of such provisions.

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

In connection with the offering of the 2019 Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market prices of the 2019 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2019 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

The 2019 Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon an exemption from the registration requirements contained in the Securities Act. The 2019 Bonds have not been registered or qualified under the securities laws of any state.

The City of Santee, California maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

CITY OF SANTEE, CALIFORNIA

City Council*

John W. Minto, *Mayor*
Stephen Houlahan RN, MSN, MBA, *Vice Mayor*
Rob McNelis, *Council Member*
Ronn Hall, *Council Member*
Laura Koval, *Council Member*

City Officials

Marlene Best, *City Manager*
Tim K. McDermott, *Director of Finance/Treasurer*
Melanie Kush, *Development Services Director*
Scott Johnson, *Principal Civil Engineer*
Annette Ortiz, *City Clerk*

PROFESSIONAL SERVICES

Bond Counsel and City Attorney

Best Best & Krieger LLP
San Diego, California

Municipal Advisor

KNN Public Finance, LLC
Oakland, California

Fiscal Agent

U.S. Bank National Association
Los Angeles, California

Special Tax Consultant and Dissemination Agent

Webb Municipal Finance, LLC
Riverside, California

Appraiser

Stephen G. White, MAI
Fullerton, California

Absorption Consultant

Empire Economics, Inc.
Capistrano Beach, California

Disclosure Counsel

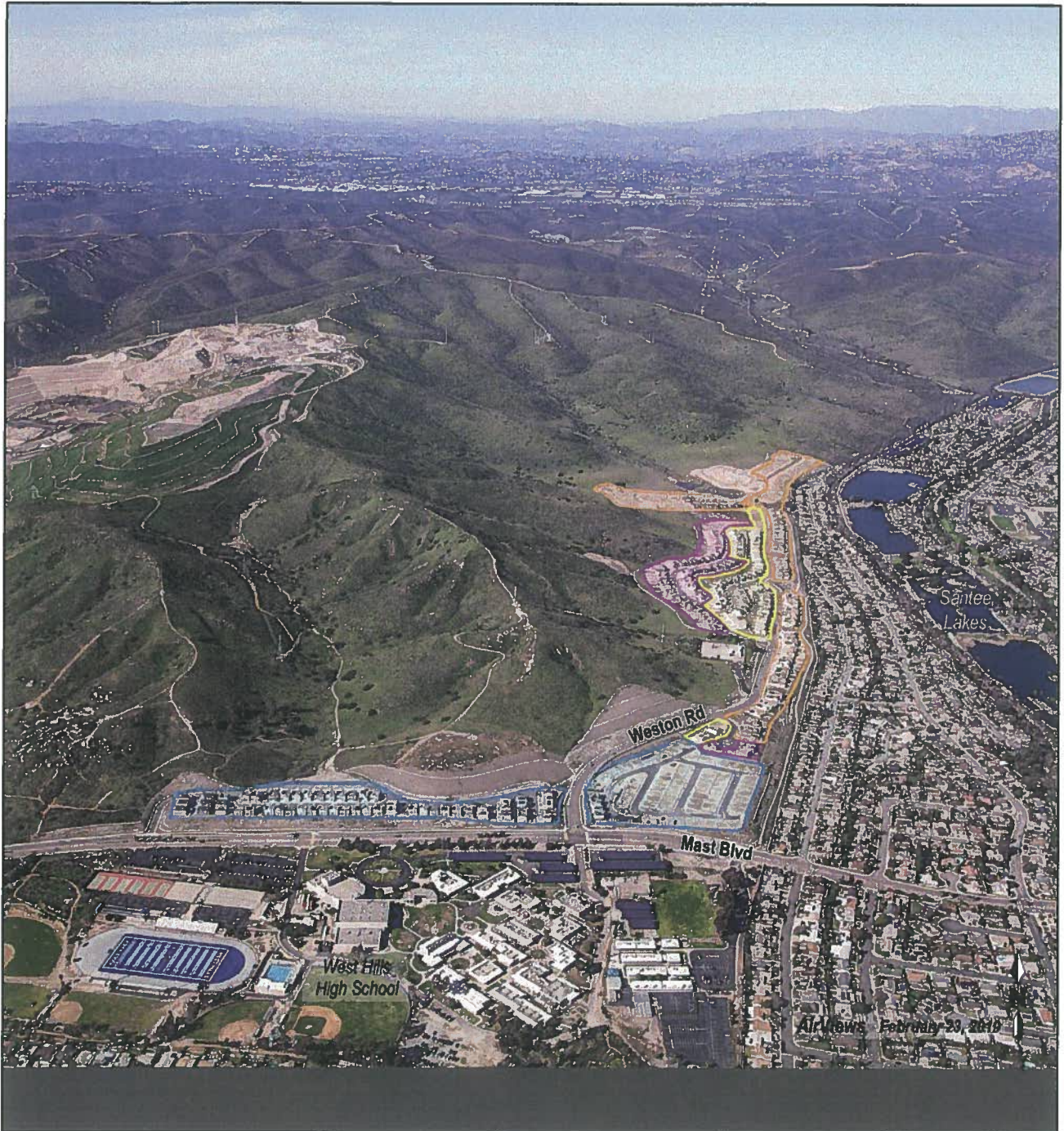
Quint & Thimmig LLP
Larkspur, California

* The City Council serves as the legislative body of Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee.

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AERIAL VIEW OF THE PROPERTY IN THE DISTRICT



OFFICIAL STATEMENT

\$8,855,000*

COMMUNITY FACILITIES DISTRICT NO. 2017-1 (WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE 2019 SPECIAL TAX BONDS

INTRODUCTION

This introduction is not a summary of this Official Statement and is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in this entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of this entire Official Statement by those interested in purchasing the 2019 Bonds. The sale and delivery of 2019 Bonds to potential investors is made only by means of this entire Official Statement. Certain capitalized terms used in this Official Statement and not defined herein have the meaning set forth in APPENDIX C — “Summary of Certain Provisions of the Fiscal Agent Agreement—Definitions” and in APPENDIX B — “Rate and Method.”

General

The purpose of this Official Statement, which includes the cover page, the inside cover page, the table of contents and the attached appendices (the “**Official Statement**”), is to provide certain information concerning the issuance by Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the “**District**”) of the Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee 2019 Special Tax Bonds (the “**2019 Bonds**”). The District is located on the western edge of the City of Santee, California (the “**City**”) abutting Mission Trails Regional Park. See “THE DISTRICT—Location and Description of the District.” The 2019 Bonds are being issued to (i) finance public improvements authorized to be funded by the District (the “**Improvements**”), (ii) fund a reserve fund for the 2019 Bonds, (iii) fund interest due on the 2019 Bonds on September 1, 2019, (iv) provide funds for administrative expenses of the District, and (v) pay costs of issuing the 2019 Bonds. See “PLAN OF FINANCING—Estimated Sources and Uses of Funds.”

Authority for Issuance

General. The District was formed in September of 2017 by the City Council of the City, acting as the legislative body for the District, under the authority of the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311 et seq. of the California Government Code (the “**Law**”). The Law authorizes the City Council to establish community facilities districts with defined boundaries and, subject to approval by at least a two-thirds vote of the votes cast by the qualified electors within a community facilities district and compliance with the provisions of the Law, the City Council, acting as the legislative body for a community facilities district, may authorize the issuance of bonds by the community facilities district established by it and may levy and collect a special tax within the community facilities district to repay the bonds.

Bond Authority. The 2019 Bonds are authorized to be issued pursuant to the Law, Resolution No. _____ adopted on May 22, 2019 by the City Council, acting as the legislative body of the District, and the Fiscal Agent Agreement dated as of June 1, 2019 (the “**Fiscal Agent Agreement**”), between the District and U.S. Bank National Association, as fiscal agent (the

* Preliminary, subject to change.

“**Fiscal Agent**”). For more detailed information about the formation of the District and the authority for issuance of the 2019 Bonds, see “THE 2019 BONDS—Authority for Issuance” and “THE DISTRICT—History of the District.” When used in this Official Statement the term “**Bonds**” means the 2019 Bonds and any **Parity Refunding Obligations** that may be issued in the future in accordance with the provisions of the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE 2019 BONDS—Issuance of Parity Debt Only For Refunding Purposes.”

The 2019 Bonds

General. The 2019 Bonds will be issued only as fully registered bonds, in denominations of \$5,000 or any integral multiple thereof, and will bear interest at the rates per annum and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The 2019 Bonds will be dated the date of their issuance and interest on the 2019 Bonds will be payable on March 1 and September 1 of each year (individually an “**Interest Payment Date**”), commencing September 1, 2019. See “THE 2019 BONDS.” The 2019 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“**DTC**”), which will act as securities depository for the 2019 Bonds. See “THE 2019 BONDS—General Provisions.”

Redemption Prior to Maturity. The 2019 Bonds are subject to optional, extraordinary and mandatory redemption prior to maturity. See “THE 2019 BONDS—Redemption.”

Security for the 2019 Bonds

Limited Obligations. The Bonds, including the 2019 Bonds and any Parity Refunding Obligations are not general or special obligations of the City nor general obligations of the District, but are special obligations of the District payable solely from Net Taxes (as defined herein) and certain amounts held under the Fiscal Agent Agreement as more fully described herein. The interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the Net Taxes, and amounts on deposit in certain funds and accounts under the Fiscal Agent Agreement, including, to the extent necessary, from the moneys on deposit in the Reserve Fund. As described herein, the Special Taxes are collected along with ad valorem property taxes on the tax bills mailed to property owners by the Office of the Treasurer-Tax Collector of the County of San Diego (the “**County**”). Although the Special Taxes will constitute a lien on the property subject to taxation in the District (the “**Taxable Property**”), they will not constitute a personal indebtedness of the owners of such property. There is no assurance that such 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. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds.

Special Tax. As used in this Official Statement, the terms “Special Tax” and “Special Taxes” is the “**Special Tax**,” which term is defined in the Fiscal Agent Agreement as the Special Tax authorized to be levied on real property in the District pursuant to the Law and the Rate and Method of Apportionment of Special Taxes for the District (the “**Rate and Method**”). Under the Fiscal Agent Agreement, the District will pledge to repay the Bonds from the “Net Special Tax Revenues” (referred to in this Official Statement as the “**Net Taxes**”), which term is defined in the Fiscal Agent Agreement to mean the Special Tax Revenues minus amounts applied annually to fund the Administrative Expense Requirement. The term “**Special Tax Revenues**” is defined in the Fiscal Agent Agreement as: (a) the proceeds of the Special Tax levied by the District pursuant to the Rate and Method and received by the District, and (b) the Delinquency Proceeds. “**Administrative Expense Requirement**” is defined in the Fiscal Agent Agreement as an annual amount equal to \$30,000, or such lesser amount as may be designated by written

instruction from an Authorized Representative of the District to the Fiscal Agent, to be allocated as the first priority of the use of Special Taxes received in any Fiscal Year, and which funds are to be used to pay costs of administration of the District. "**Delinquency Proceeds**" is defined in the Fiscal Agent Agreement as the amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Tax resulting from the delinquency in the payment of Special Taxes due and payable on such property. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Special Taxes" and APPENDIX B — "Rate and Method."

The Net Taxes are the primary security for the repayment of the Bonds. In the event that the Net Taxes are not sufficient to pay the scheduled debt service on the Bonds, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the funds and accounts under the Fiscal Agent Agreement (other than the Project Fund and the Rebate Fund). See "SOURCES OF PAYMENT FOR THE BONDS—Reserve Fund."

Foreclosure Proceeds. The District will covenant in the Fiscal Agent Agreement for the benefit of the owners of the Bonds that it will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) properties under common ownership with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of the Fiscal Year in which the Special Taxes were due, (ii) against all properties with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of any Fiscal Year if the amount of the Reserve Fund is less than the Reserve Requirement, and (iii) against all properties with delinquent Special Taxes (regardless of the amount of such delinquency) if the District determines that it has collected less than 95% of the total Special Taxes levied in any Fiscal Year.

The District may, but is not in any way obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Fund at the Reserve Requirement or to avoid a default in payment on the Bonds. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes" herein and APPENDIX C — "Summary of Certain Provisions of the Fiscal Agent Agreement – Miscellaneous Conditions – Covenants." There is no assurance that any Taxable Property within the District can be sold at foreclosure for a price sufficient to pay delinquent Special Taxes in the event of a default in payment of Special Taxes by the current landowners or future landowners within the District. See "SPECIAL RISK FACTORS—Property Value" and APPENDIX H — "Appraisal Report."

Special Taxes Are Not Within Teeter Plan. Section 4701 et seq. of the California Revenue and Taxation Code allows a county to adopt a tax distribution procedure which distributes taxes to taxing agencies on the basis of the amount of the tax levy, rather than on the basis of actual tax collections. This mechanism is known as a "Teeter Plan." The Special Taxes are not subject to the County's Teeter Plan. The amount of Special Taxes available to pay debt service on the Bonds will depend on actual tax collections.

Parity Refunding Obligations and Liens. Under the terms of the Fiscal Agent Agreement, the District may issue refunding bonds or other refunding obligations which have a lien upon the Net Taxes on a parity with the lien of the 2019 Bonds ("**Parity Refunding Obligations**") for the purpose of refunding the 2019 Bonds. Parity Refunding Obligations may be issued so long as the issuance of such Parity Refunding Obligations results in a reduction in each Bond Year on the Annual Debt Service on the 2019 Bonds when combined with the Debt Service on Parity Refunding Obligations following the issuance of such Parity Refunding Obligations. See "SOURCES OF PAYMENT FOR THE BONDS—Issuance of Parity Debt Only For Refunding Purposes."

Concurrently with the establishment of the District, the City Council conducted proceedings under the Law to establish the Community Facilities District No. 2017-2 (Weston Municipal Services) of the City of Santee (“CFD 2017-2”) to provide funding for certain municipal services to be furnished by the City to the area of the District. See “THE DISTRICT—History of the District.” The boundaries of CFD 2017-2 are coterminous with the boundaries of the District, and the lien of the special taxes to be levied on property in CFD 2017-2 is co-equal under the Law with the lien of the Special Taxes to be levied on the Taxable Property in the District. See “THE DISTRICT—Direct and Overlapping Governmental Obligations.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the Taxable Property within the District which could adversely affect the willingness of the property owners to pay the Special Taxes when due. See “SPECIAL RISK FACTORS—Parity Taxes and Special Assessments” herein.

Other Limitations. Amounts in the Administrative Expense Fund, the Project Fund and the Rebate Fund, each of which is established under or referred to in the Fiscal Agent Agreement, are not pledged to the repayment of the 2019 Bonds. A portion of the Special Taxes collected annually and equal to the Administrative Expense Requirement is not pledged to the repayment of the 2019 Bonds. The Improvements funded with proceeds of the 2019 Bonds are not pledged as security for the repayment of the 2019 Bonds. The proceeds of any condemnation or insurance award received by the City or the District with respect to the Improvements are not pledged to the repayment of the 2019 Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to repay the 2019 Bonds are amounts held by the Fiscal Agent in the Debt Service Fund, the Special Tax Fund and the Reserve Fund established under the Fiscal Agent Agreement, and the proceeds, if any, from foreclosure sales of parcels within the District in respect of delinquent Special Taxes. See “SOURCES OF PAYMENT FOR THE 2019 BONDS.”

With respect to the annual Special Tax levy on the Taxable Property in the District, the Special Tax levy on any parcel may not exceed the **Maximum Special Tax** (as defined and specified in the Rate and Method) rate applicable to such parcel. See “SOURCES OF PAYMENT FOR THE 2019 BONDS—Summary of Rate and Method.” Also, under no circumstances may the Special Tax on a parcel in residential use be increased in any Fiscal Year as a consequence of the delinquency or default in payment of the Special Tax levied on another parcel or parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. See “SOURCES OF PAYMENT FOR THE 2019 BONDS—Summary of Rate and Method – Annual Special Tax Levy.”

Reserve Fund

The Fiscal Agent Agreement establishes a Reserve Fund as a reserve for the payment of principal of and interest on the 2019 Bonds. The Reserve Fund is required to be funded in an amount equal to the least of (i) Maximum Annual Debt Service for the 2019 Bonds, (ii) one hundred twenty-five percent (125%) of average Annual Debt Service for the 2019 Bonds, or (iii) ten percent (10%) of the original issue price of the 2019 Bonds (the “**Reserve Requirement**”). The Reserve Fund will be available to pay the debt service on the 2019 Bonds in the event of a shortfall in the amount in the Debt Service Fund for such purpose. The Reserve Requirement as of the date of issuance of the 2019 Bonds will be \$_____. See “SOURCES OF PAYMENT FOR THE 2019 BONDS—Reserve Fund.”

The District

The property in the District subject to the levy of the Special Taxes (referred to in this Official Statement as the “**Taxable Property**”), which includes approximately 97 acres, is within a master-planned community known as Weston (formerly known as Castlerock). The property is located in the west side of the City along the northerly side of Mast Boulevard at Weston Road, and extends northerly along Weston Road for just over a mile from Mast Boulevard. The property was annexed to the City from the City of San Diego in August of 2016. See page v for an aerial view of the property in the District and “THE DISTRICT—Location and Description of the District” for a more complete description of the area in which the District is located and for a site plan of the Weston development in the District.

The property in the District has been entitled by the City of San Diego, prior to its annexation to the City, for the construction of 273 single-family detached homes, 142 detached condominium units and a public park. Subsequent to such annexation and pursuant to proceedings conducted by the City Council, acting as the legislative body of the District under the Law, the District was established in September of 2017 (see “THE DISTRICT—History of the District”). At the time of formation of the District, Pardee Homes, a California corporation (the “**Master Developer**”) owned approximately 158 of the acres in the territory of the District, and TRI Pointe Homes, Inc., a Delaware corporation (collectively referred to in this Official Statement with the Master Developer as the “**Developers**”) owned the remaining 26 acres in the District that it acquired from the Master Developer in July of 2017. See “THE DISTRICT—The Developers.”

The Master Developer has completed the major infrastructure improvements needed for the development of the property in the District, except for certain trail improvements expected to be completed by October of 2019, the development of a public park expected to be completed by the second quarter of 2020, certain resource permit implementation, certain common area landscaping and final “punch list” items for some of the improvements. The Developers have been constructing homes in the District since the summer of 2017. The 415 homes in the District are being constructed in four different product types, designated as Prism (142 detached single family condominium homes being constructed by TRI Pointe Homes, Inc.), Sandstone (81 single family detached homes being constructed by Pardee Homes), Talus (63 single family detached homes being constructed by TRI Pointe Homes, Inc.), and Lake Ridge (129 single family detached homes being constructed by Pardee Homes). As of the March 4, 2019 date of value of the Appraisal Report referred to under the subheading “Land Valuation” below, there were a total of 221 completed homes in the District, 170 of which had been sold to and are owned by homebuyers, and an additional 45 homes in the District were under construction. See Table 2 under the heading “THE DISTRICT—Land Ownership”, and the Appraisal Report in Appendix H for descriptions of the current status of the construction and sales of homes in the District. The Developers report that between March 4, 2019 and May 1, 2019, an additional 28 homes were conveyed to homeowners and another 15 building permits were issued for homes to be constructed in the District. No assurance can be given that all of the 415 homes planned for the territory in the District will be completed and sold to homebuyers. See “SPECIAL RISK FACTORS—Failure to Complete Development.”

Land Valuation

The firm of Stephen G. White, MAI (the “**Appraiser**”) has prepared an Appraisal Report dated March 13, 2019 (the “**Appraisal Report**”) with a valuation date of March 4, 2019, estimating the market value, by product type, of the Taxable Property within the District. The Appraiser concluded in the Appraisal Report that the cumulative (aggregate) value of the 415 lots in the District as of March 4, 2019 is \$210,355,000, subject to certain assumptions and

limiting conditions set forth in the Appraisal Report, including an extraordinary assumption to the effect that there are no soil, geologic, seismic or environmental conditions that would negatively impact the existing or planned uses of the property in the District and that the estimates provided by the Developers of the remaining costs and fees to get the undeveloped lots in the District from their as is condition to finished lots are reasonable and accurate. The appraised value of the Taxable Property in the District, as reflected in the Appraisal Report, is approximately 23.76* times the \$8,855,000* initial principal amount of the 2019 Bonds. The Appraisal Report, which is included in Appendix H, should be read in its entirety by prospective purchasers of the 2019 Bonds. See "THE DISTRICT—Property Values," "SPECIAL RISK FACTORS—Property Value" and "SPECIAL RISK FACTORS—Hazardous Substances."

In addition to the Appraisal Report, Empire Economics, Inc. has prepared a Market Absorption Study, dated February 20, 2019 (the "**Absorption Analysis**"), examining the expected demand for the homes being constructed in the District. The Absorption Analysis, revised April 4, 2019 only to correct a few grammatical errors, determined that the sales of homes in the District experienced strong escrow closings and that there was a significant number of new homes produced and available for closings, but that homes scheduled for escrow closings in the first quarter of 2019 indicated a potential slowdown in absorption rates, and final absorption of all 415 homes to be constructed in the District would occur by the end of 2022. The Appraiser makes note of the Absorption Analysis in the Appraisal Report. See APPENDIX I – "Absorption Analysis" for a complete copy of the Absorption Analysis. None of the City, the District or the Underwriter makes any representation as to the accuracy or the completeness of the Appraisal Report or the Absorption Analysis.

The value of individual parcels in the District vary significantly, and no assurance can be given that should Special Taxes levied on one or more of the parcels become delinquent, and should the delinquent parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid is received, that such bid would be sufficient to pay such parcel's delinquent Special Taxes. See "THE DISTRICT—Value-to-Burden Ratio," "SPECIAL RISK FACTORS—Property Value" and "SPECIAL RISK FACTORS—Insufficiency of Special Taxes."

Limited Obligation

Although the unpaid Special Taxes constitute liens on parcels within the District on which they are levied, they do not constitute a personal indebtedness of the property owners. There is no assurance that the Developers or any owner or purchaser of a home in the District will be financially able to pay the Special Taxes levied on their property in the District, or that they will pay the Special Taxes even though financially able to do so.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY OR THE STATE OF CALIFORNIA OR OF ANY OF THEIR RESPECTIVE POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE 2019 BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE 2019 BONDS. THE 2019 BONDS ARE NOT OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM CERTAIN AMOUNTS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

* Preliminary, subject to change.

Bondowners' Risks

Certain events could affect the ability of the District to pay the principal of and interest on the 2019 Bonds when due. Except for the Net Taxes, no other taxes are pledged to the payment of the 2019 Bonds. See "SPECIAL RISK FACTORS" for a discussion of certain factors that should be considered in evaluating an investment in the 2019 Bonds. The purchase of the 2019 Bonds involves significant risks, and the 2019 Bonds are not appropriate investments for all types of investors.

Continuing Disclosure

For purposes of complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), the District has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (the "MSRB") certain annual financial information and operating data and notice of certain significant events. These covenants have been made in order to assist the Underwriter in complying with the Rule. See "CONTINUING DISCLOSURE" and Appendix E for a description of the specific nature of the annual reports and notices of significant events, as well as the terms of the Continuing Disclosure Agreement to which the District will be a party and pursuant to which such reports and notices are to be made.

The Master Developer has agreed to enter into a separate Continuing Disclosure Agreement-Developer pursuant to which it will provide certain information on an annual and a semi annual basis and notice of certain events relative to the ownership of property by the Developers in the District. The obligation of the Master Developer to provide such information will terminate at such time as the Developers have conveyed more than 332 homes in the District to homebuyers. See "CONTINUING DISCLOSURE," and APPENDIX F - "Form of Continuing Disclosure Agreement-Developer" for the complete text of the Continuing Disclosure Agreement-Developer.

Other Information

This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change without notice. Except where otherwise indicated, all information contained in this Official Statement has been provided by the City on behalf of the District.

Copies of the Fiscal Agent Agreement and certain other documents referenced in this Official Statement are available for inspection at the office of, and (upon written request and payment to the District of a charge for copying, mailing and handling) are available for delivery from, the Director of Finance/Treasurer of the City of Santee, 10601 Magnolia Avenue, Santee, California 92071-1266.

PLAN OF FINANCING

Overview

The City, for itself and on behalf of the District, has entered into an Acquisition, Construction and Funding Agreement with the Developers, dated as of January 24, 2019, (the "Acquisition/Funding Agreement"), pursuant to which the District has agreed to use proceeds of Bonds issued for the District and Special Taxes levied on property in the District prior to the sale of the 2019 Bonds to pay the costs of the Improvements, the construction of which was

necessitated by development occurring in the District. See "THE DISTRICT—The Improvements."

The costs of Improvements completed to date have been paid for by the Master Developer, and neither the City nor the District has any obligation to reimburse any of such costs except from proceeds of the 2019 Bonds and from Special Taxes levied prior to the sale of the 2019 Bonds and not needed to pay scheduled debt service on the 2019 Bonds and to pay administrative expenses of the District, including those included within the definition of "Administrative Expenses" in the Fiscal Agent Agreement (see APPENDIX C – "Summary of Certain Provisions of the Fiscal Agent Agreement"). All of the Improvements constituting public infrastructure needed for the development of the District, except for certain trail improvements and a public park, have been completed. See "THE DISTRICT—The Improvements."

In accordance with the Acquisition Agreement, proceeds of the 2019 Bonds deposited to the Project Fund will be used to make payments to the Master Developer for costs of those Improvements which have been fully completed and not yet reimbursed from Special Tax Revenues. See "PLAN OF FINANCING—Sources and Uses of Funds" and "THE DISTRICT—The Improvements."

While the District is authorized to incur up to \$10,300,000 in bonded indebtedness (see "THE DISTRICT—History of the District"), it has covenanted in the Fiscal Agent Agreement not to issue any bonds or obligations payable from the Special Taxes superior to, or on a parity with the lien of the 2019 Bonds; except that the Fiscal Agent Agreement allows for the issuance of Parity Refunding Obligations with a parity lien on the Net Taxes. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Issuance of Parity Debt Only For Refunding Purposes."

Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the 2019 Bonds are expected to be as follows:

Principal of 2019 Bonds	\$
<i>Plus (Minus):</i> Net Original Issue Premium (Discount)	
<i>Less:</i> Underwriter's Discount	
Total Sources	\$ _____
Deposit to Project Fund ⁽¹⁾	\$
Deposit to Reserve Fund ⁽²⁾	
Deposit to Capitalized Interest Sub-Account of the Interest Account of the Debt Service Fund ⁽³⁾	
Deposit to Costs of Issuance Fund ⁽⁴⁾	
Deposit to the Administrative Expense Fund ⁽⁵⁾	
Total Uses	\$ _____

- (1) To be used to finance the Improvements authorized to be funded by the District. See "PLAN OF FINANCING—Overview."
- (2) Equal to the initial Reserve Requirement. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Reserve Fund."
- (3) To be used to pay interest due on the 2019 Bonds on September 1, 2019.
- (4) Costs of issuance include, without limitation, Fiscal Agent fees and expenses, Municipal Advisor fees and expenses, Bond Counsel, Disclosure Counsel and other legal fees and expenses, and printing costs.
- (5) To be used to pay costs of administration of the District.

THE 2019 BONDS

Authority for Issuance

Pursuant to the Law, on September 27, 2017, the City Council adopted Resolution No. 102-2017 establishing the District. Also on September 27, 2017, the then two owners of the property in the District (being the Developers), and thereby the qualified electors for the District, authorized the issuance of bonded indebtedness to finance the Improvements, and approved the levy of the Special Taxes on property in the District pursuant to the Rate and Method. See "THE DISTRICT—History of the District."

The 2019 Bonds are authorized to be issued pursuant to the Law, Resolution No. _____ adopted on May 22, 2019 by the City Council, acting as the legislative body of the District, and the Fiscal Agent Agreement. The Special Taxes, from which the Net Taxes to be used to pay debt service on the 2019 Bonds are derived, will be levied in accordance with the Rate and Method.

General Provisions

The 2019 Bonds will be dated as of their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on September 1, 2019 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest due on the 2019 Bonds on September 1, 2019 will be paid from a portion of the proceeds of the 2019 Bonds.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any 2019 Bond will be payable from the Interest Payment Date next preceding the date of authentication of that 2019 Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the date of the 2019 Bonds; provided, however, that if at the time of authentication of a 2019 Bond, interest is in default, interest on that 2019 Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment. As used herein, "**Record Date**" means the fifteenth calendar day of the month immediately preceding an Interest Payment Date, regardless of whether such day is a Business Day.

Interest on any 2019 Bond will be paid to the person whose name appears in the Registration Books maintained by the Fiscal Agent as the Owner of such 2019 Bond as of the close of business on the applicable Record Date. Principal of the 2019 Bonds due at maturity or upon prior redemption, and any premium due upon redemption, is payable upon presentation and surrender of the 2019 Bonds at the principal corporate trust office of the Fiscal Agent in Los Angeles, California.

The 2019 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the 2019 Bonds. Ownership interests in the 2019 Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities

depository all payments of principal and interest on the 2019 Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX G — "DTC and the Book-Entry-Only System."

In the event the 2019 Bonds are not held in book-entry form, interest on the 2019 Bonds will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to the 2019 Bondowners at their address on the Registration Books. In addition, upon a request in writing received by the Fiscal Agent on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the 2019 Bonds, payment will be made by wire transfer in immediately available funds to an account in the United States designated by such Owner.

Redemption

*Optional Redemption**. The 2019 Bonds maturing on or after September 1, 2027 may be redeemed at the option of the District prior to maturity as a whole, or in part, on any Interest Payment Date on and after September 1, 2026, from such maturities as are selected by the District, and by lot within a maturity, from any source of funds, at the following redemption prices (expressed as percentages of the principal amount of the 2019 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

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

*Extraordinary Redemption from Special Tax Prepayments**. The 2019 Bonds are subject to extraordinary mandatory redemption on any Interest Payment Date, prior to maturity, as a whole, or in part on or as nearly practicable a pro rata basis among maturities of authorized denominations as determined by the District, and by lot within a maturity, from amounts deposited to the Redemption Fund in connection with a Prepayment of Special Taxes pursuant to the Rate and Method. Such extraordinary mandatory redemption of the 2019 Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the 2019 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
any Interest Payment Date from September 1, 2019 through March 1, 2027	103%
September 1, 2027 and March 1, 2028	102
September 1, 2028 and March 1, 2029	101
September 1, 2029 and any Interest Payment Date thereafter	100

No assurance can be given regarding possible future prepayments of Special Taxes levied on the Taxable Property which, if they occur, will result in a redemption of the 2019 Bonds prior to their maturity. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Summary of Rate and Method – Prepayment of Special Taxes" and "SPECIAL RISK FACTORS—Potential Early Redemption of 2019 Bonds from Special Tax Prepayments."

* Preliminary, subject to change.

* Preliminary, subject to change.

Mandatory Sinking Fund Redemption. The 2019 Bonds maturing on September 1, ____ (the “____ Term Bonds”) are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, ____ at a redemption price equal to the principal amount of the ____ Term Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

____ Term Bonds

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
_____	\$ _____

The 2019 Bonds maturing on September 1, 2049 (the “2049 Term Bonds”) are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, ____ at a redemption price equal to the principal amount of the 2049 Term Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

2049 Term Bonds

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
_____	\$ _____

In the event of a partial optional redemption or extraordinary redemption from Special Tax prepayments of the ____ Term Bonds or the 2049 Term Bonds, each of the remaining mandatory sinking fund payments for the applicable maturity of the Term Bonds so redeemed will be reduced, as nearly as practicable, on a pro rata basis in integral multiples of \$5,000.

Notice of Redemption. So long as the 2019 Bonds are held in book-entry form by the Depository, or its Nominee, notice of redemption will be given to the Depository in such manner as is set forth in the procedures of the Depository, at least thirty (30) days but not more than forty-five (45) days prior to the redemption date. It is the responsibility of DTC Participants to provide such notice. See APPENDIX G — “DTC and the Book-Entry Only System.”

If the 2019 Bonds are no longer registered to the Depository, or its Nominee, the Fiscal Agent is required to mail, at least thirty (30) days but not more than forty-five (45) days prior to the date of redemption, notice of redemption, by first-class mail, postage prepaid, to the original purchaser of the 2019 Bonds and the respective registered Owners of the 2019 Bonds at the addresses appearing on the Registration Books. The notice of redemption shall state: (a) the

redemption date; (b) the redemption price; (c) the bond registration numbers, dates of maturity and CUSIP numbers of the 2019 Bonds to be redeemed, and in the case of 2019 Bonds to be redeemed in part, the respective principal portions to be redeemed; provided, however, that whenever any call includes all 2019 Bonds of a maturity, the numbers of the 2019 Bonds of such maturity need not be stated; (d) that such 2019 Bonds must be surrendered at the principal corporate trust office of the Fiscal Agent; (e) that further interest on such 2019 Bonds will not accrue from and after the designated redemption date; (f) the date of the issue of the 2019 Bonds as originally issued; (g) the rate of interest borne by each 2019 Bond being redeemed; and (h) any other descriptive information needed to identify accurately the 2019 Bonds being redeemed as the District shall direct.

Each notice of redemption shall be sent at the same time as the notice of redemption is mailed to the 2019 Bondowners, by registered or certified mail or overnight delivery service to the Securities Depository and to at least one of the Information Services that disseminate notice of redemption of obligations similar to the 2019 Bonds or, in accordance with the then-current guidelines of the Securities and Exchange Commission, such other services providing information on called bonds, or no such other services, as District may determine in its sole discretion.

Any notice of optional redemption of the 2019 Bonds delivered in accordance with the Fiscal Agent Agreement may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the District shall not be required to redeem such 2019 Bonds. In such event, the redemption shall not be made and the Fiscal Agent shall 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 District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the 2019 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Debt Service Fund 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 2019 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any 2019 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

So long as notice of redemption has been provided as set forth in the Fiscal Agent Agreement, the actual receipt by the Owner of any 2019 Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for redemption of such 2019 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Redemption. When notice of redemption has been given substantially as provided for in the Fiscal Agent Agreement, and when the amount necessary for the redemption of the 2019 Bonds called for redemption is set aside for that purpose in the Debt Service Fund or the Redemption Fund, as provided for in the Fiscal Agent Agreement, the 2019 Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said 2019 Bonds at the place specified in the notice of redemption, said 2019 Bonds shall be redeemed and paid at the redemption price out of the Debt Service Fund or the Redemption Fund and no interest will

accrue on such 2019 Bonds or portions of 2019 Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such 2019 Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such 2019 Bonds or portions of 2019 Bonds only to the Debt Service Fund or the Redemption Fund, as applicable.

All 2019 Bonds redeemed shall be canceled forthwith by the Fiscal Agent and shall not be reissued. Upon surrender of 2019 Bonds redeemed in part, a new 2019 Bond or 2019 Bonds of the same maturity shall be registered, authenticated and delivered to the registered Owner at the expense of the District, in the aggregate principal amount of the unredeemed portion. All unpaid interest payable at or prior to the date fixed for redemption shall continue to be payable to the respective Owners of such 2019 Bonds or their order, but without interest thereon.

Selection of Bonds for Redemption. If less than all of the 2019 Bonds Outstanding are to be redeemed, the portion of any 2019 Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such 2019 Bonds for redemption, the District shall treat each such 2019 Bond as representing that number of 2019 Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such 2019 Bond to be redeemed in part by \$5,000.

Purchase in lieu of Redemption. In lieu of any optional, extraordinary mandatory or mandatory sinking fund redemption of the 2019 Bonds, the District may elect to purchase such 2019 Bonds at public or private sale at such prices as the District may in its discretion determine; provided, that, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof, plus the applicable premium, if any, stated above, plus accrued interest to the purchase date.

Registration, Transfer and Exchange

Registration. The Fiscal Agent will keep sufficient books for the registration and transfer of the 2019 Bonds. The ownership of the 2019 Bonds will be established by the 2019 Bond registration books held by the Fiscal Agent. Upon initial issuance, the ownership of the 2019 Bonds will be registered in the name of the nominee of DTC.

Transfer or Exchange. Whenever any 2019 Bond or 2019 Bonds shall be surrendered for registration of transfer or exchange, the Fiscal Agent shall authenticate and deliver a new 2019 Bond or 2019 Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Fiscal Agent shall not be required to register transfers or make exchanges of (i) 2019 Bonds for a period of 15 days next preceding the date of any selection of the 2019 Bonds to be redeemed, or (ii) any 2019 Bonds chosen for redemption.

Scheduled Debt Service

The following is the debt service schedule for the 2019 Bonds, assuming no optional redemption of the 2019 Bonds or any redemption of 2019 Bonds with proceeds of Special Tax Prepayments:

Period Ending September 1	Principal	Interest	Total
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
Totals			

* Indicates a mandatory sinking fund payment.

SOURCES OF PAYMENT FOR THE 2019 BONDS

Limited Obligations

The 2019 Bonds are special, limited obligations of the District payable only from amounts pledged under the Fiscal Agent Agreement and from no other sources.

In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the 2019 Bonds are amounts held by the Fiscal Agent in the funds and accounts established in the Fiscal Agent Agreement (including any investment

earnings thereon) with the exception of the Project Fund, the Rebate Fund and the Administrative Expense Fund.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2019 BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE 2019 BONDS. THE 2019 BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAXES TO BE LEVIED ON PROPERTY IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization; Net Taxes. In accordance with the provisions of the Law, the City established the District on September 27, 2017 for the purpose of financing the Improvements. On September 27, 2017 an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed \$10,300,000, and the levy of the Special Taxes on property within the District to repay the bonds and to finance the Improvements. See "THE DISTRICT—History of the District."

The District will covenant in the Fiscal Agent Agreement that it will comply with all requirements of the Law so as to allow for the timely collection of the Special Taxes in an amount sufficient to pay the Annual Debt Service on the 2019 Bonds when due, Administrative Expenses, and any amounts to replenish the Reserve Fund to the Reserve Requirement. The Special Taxes are being collected in the manner and at the same time as ad valorem property taxes are collected and are subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes. See APPENDIX B — "Rate and Method."

The "Net Taxes" pledged by the District to secure the repayment of the Bonds are the Special Tax Revenues minus amounts applied annually to fund the Administrative Expense Requirement. As used in this Official Statement, the term "Special Tax Revenues" refers to the "Special Tax Revenues," which is defined in the Fiscal Agent Agreement as: (a) the proceeds of the Special Tax levied by the District pursuant to the Rate and Method and received by the District, and (b) the Delinquency Proceeds. "Administrative Expense Requirement" is defined in the Fiscal Agent Agreement as an annual amount equal to \$30,000, or such lesser amount as may be designated by written instruction from an Authorized Representative of the District to the Fiscal Agent, to be allocated as the first priority of the use of Special Taxes received in any Fiscal Year, and which funds are to be used to pay costs of administration of the District. "Delinquency Proceeds" is defined in the Fiscal Agent Agreement as amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Tax resulting from the delinquency.

Disposition of Special Tax Revenues. The Fiscal Agent Agreement provides that, after the District has received Special Tax Revenues in an amount equal to the Administrative Expense Requirement and deposited such Special Tax Revenues in the Administrative Expense Fund, the District shall, no later than the tenth Business Day after which Special Tax Revenues have been received by the District, and in any event not later than February 15th and August 15th of each year, transfer such Special Tax Revenues to the Fiscal Agent. Except for Prepayments which shall be deposited to the Redemption Fund, as set forth in written

instructions from the District in accordance with the Fiscal Agent Agreement, the Fiscal Agent will deposit the Special Tax Revenues received in the Special Tax Fund. The Special Tax Revenues deposited in the Special Tax Fund shall be held in trust and deposited in the following accounts of the Special Tax Fund or transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

(1) The Fiscal Agent shall transfer to the Interest Account of the Debt Service Fund, on each Interest Payment Date, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date on all Outstanding 2019 Bonds or to be paid on the 2019 Bonds being redeemed on such date.

(2) The Fiscal Agent shall transfer to the Principal Account of the Debt Service Fund, on each September 1, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the 2019 Bonds coming due and payable on such September 1, whether at maturity or by mandatory sinking fund payments on Term Bonds.

(3) On or after September 2 of each year after making the deposits and transfers required under (1) and (2) above, the Fiscal Agent shall transfer the amount, if any, necessary to replenish the amount then on deposit in the Reserve Fund to an amount equal to the Reserve Requirement.

(4) On or after September 2 of each year after making the deposits and transfers required under (1), (2) and (3) above, upon receipt of written instructions from an Authorized Representative of the District, the Fiscal Agent will transfer from the Special Tax Fund to the Rebate Fund the amount specified in such request.

(5) On or after September 2 of each year after making the deposits and transfers required under (1), (2), (3) and (4) above, upon receipt of a written request of an Authorized Representative of the District, the Fiscal Agent will transfer from the Special Tax Fund to the District for deposit in the Administrative Expense Fund the amounts specified in such request to pay those Administrative Expenses which the District reasonably expects will become due and payable during such Fiscal Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund in excess of the Administrative Expense Requirement for such Fiscal Year.

(6) If, on or after September 2 of each year, after making the deposits and transfers required under (1), (2) (3), (4) and (5) above, monies remain in the Special Tax Fund, such monies shall be transferred to the Project Fund until the Project Fund is closed.

The Fiscal Agent Agreement provides that the Fiscal Agent shall, upon receipt of Special Tax Revenues representing Prepayments, immediately transfer Prepayments to the Redemption Fund and utilize such funds to redeem 2019 Bonds pursuant to the Fiscal Agent Agreement (see "THE 2019 BONDS—Redemption – Extraordinary Redemption from Special Tax Prepayments") as set forth in written instructions to be delivered to the Fiscal Agent by an Authorized Representative of the District; provided, however, that any portion of a Prepayment constituting Administrative Expenses shall be transferred to the District and deposited into the Administrative Expense Fund. See APPENDIX C — "Summary of Certain Provisions of the Fiscal Agent Agreement."

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX B — “Rate and Method.” In addition, under no circumstances will the Special Taxes levied in any Fiscal Year against any Assessor’s Parcel of Residential Property as a result of a delinquency in the payment of the Special Tax applicable to any other Assessor’s Parcel be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the 2019 Bonds when due. See “THE DISTRICT—Projected 2019 Bond Debt Service Coverage” and “SPECIAL RISK FACTORS—Insufficiency of Special Taxes.”

Summary of Rate and Method

The Rate and Method is used to allocate the amount of the Special Taxes that is needed to be collected each fiscal year to fund the Special Tax Requirement among the Taxable Property within the District based upon the development status of the Taxable Property and its applicable building square footage, subject to specified maximum tax rates. The Rate and Method is set forth in full in Appendix B and the following is a summary of the Rate and Method. Capitalized terms used below and not otherwise defined in this Official Statement or in the Fiscal Agent Agreement have the meanings given to them in the Rate and Method.

Classification of Property; Maximum Special Tax Rates. The Rate and Method classifies all Taxable Property, i.e., all Assessor’s Parcels in the District not exempt pursuant to law or the Rate and Method from the levy of the Special Taxes, into four categories: Developed Property, Approved Property, Undeveloped Property or Provisional Exempt Property. Developed Property includes all Assessor’s Parcels of Taxable Property that: (i) are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which Special Taxes are being levied, and (ii) for which a Building Permit was issued on or before May 1st preceding the Fiscal Year in which Special Taxes are being levied. Approved Property includes all Assessor’s Parcels of Taxable Property other than Provisional Exempt Property: (i) that are included in a Final Map that was recorded prior to the January 1st immediately preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a Building Permit on or before the May 1st immediately preceding the Fiscal Year in which the Special Tax is being levied. Provisional Exempt Property includes all Assessor’s Parcels of Taxable Property that would otherwise be classified as Exempt Property pursuant to the Rate and Method, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property within the District below the required minimum 51.13 Acreage set forth in the Rate and Method. Undeveloped Property includes all Assessor’s Parcels of Taxable Property which are not Developed Property, Approved Property or Provisional Exempt Property.

Developed Property in the District is further classified into ten categories (each a “Land Use Type”): (a) eight categories of Residential Property (with such categories based on the building square footage), (b) one category for Multifamily Residential Property, and (c) one category for Non-Residential Property. Notwithstanding the foregoing, there is no anticipated Multifamily Residential Property or Non-Residential Property in the District.

The amount of Special Taxes that the District may levy is limited by the applicable Maximum Special Tax, which is defined for Developed Property as the greater of (i) the Assigned Annual Special Tax, or (ii) the Alternative Special Tax Rate (which is \$1,683 per residential dwelling structure). The Maximum Special Tax for Approved Property, Undeveloped Property and Provisional Exempt Property is equivalent to the Assigned Special

Tax of \$12,292 per Acre. The Assigned Annual Special Tax for each Land Use Type of Developed Property is shown in Table 1 below.

Table 1
Community Facilities District No. 2017-1
(Weston Infrastructure) of the City of Santee
Projected Fiscal Year 2019-2020 Special Tax Levy and Value-to-Lien by Land Use Category

Land Use ⁽¹⁾	Tax Class	Residential Floor Area	No. of Parcels	Appraised Value ⁽²⁾	Percent of Total Appraised Value ⁽²⁾	Assigned Special Tax	Projected Fiscal Year 2019-20 Special Tax Levy per Unit/ Acre ⁽⁶⁾	Projected Total Fiscal Year 2019-20 Special Tax Levy ^{(3),(6)}	Percent of Total Projected FY 2019-20 Special Taxes ⁽⁶⁾	Share of 2019 Bonds ^{(4),(6)}	Aggregate Value-to-Lien ⁽⁶⁾
Residential Property	D1	Less than 1,851 sq.ft.	22	\$ 11,195,000	5.32%	\$1,230 per unit	\$1,230 per unit	\$ 27,060	4.80%	\$ 424,767	26.36:1
Residential Property	D2	1,851 sq.ft. – 2,150 sq.ft.	54	25,563,333	12.15	\$1,325 per unit	\$1,325 per unit	71,550	12.68	1,123,136	22.76:1
Residential Property	D3	2,151 sq.ft. – 2,450 sq.ft.	33	22,990,000	10.93	\$1,420 per unit	\$1,420 per unit	46,860	8.31	735,572	31.25:1
Residential Property	D4	2,451 sq.ft. – 2,750 sq.ft.	105	66,650,000	31.68	\$1,515 per unit	\$1,515 per unit	159,075	28.20	2,497,036	26.69:1
Residential Property	D5	2,751 sq.ft. – 3,050 sq.ft.	22	14,655,000	6.97	\$1,610 per unit	\$1,610 per unit	35,420	6.28	555,996	26.36:1
Residential Property	D6	3,051 sq.ft. – 3,350 sq.ft.	21	11,512,097	5.47	\$1,705 per unit	\$1,705 per unit	35,805	6.35	562,039	20.48:1
Residential Property	D7	3,351 sq.ft. – 3,650 sq.ft.	25	14,020,484	6.67	\$1,800 per unit	\$1,800 per unit	45,000	7.98	706,375	19.85:1
Residential Property	D8	Greater than 3,650 sq.ft.	32	18,813,871	8.94	\$1,895 per unit	\$1,895 per unit	60,640	10.75	951,880	19.76:1
Approved Property	APP	N/A	35	9,918,548	4.72	\$12,292 per acre	\$12,292 per acre	67,360	11.94	1,057,367	9.38:1
Undeveloped Property	UND	N/A	1 ⁽⁵⁾	15,036,667	7.15	\$12,292 per acre	\$2,307 per acre	15,342	2.72	240,832	62.44:1
Totals			350	\$210,355,000	100.00%			\$564,113	100.00%	\$8,855,000	23.76:1

(1) Based on building permit status as of March 1, 2019.

(2) Reflects appraised value from the Appraisal Report with a date of value of March 4, 2019.

(3) Based upon the preliminary scheduled annual debt service for the 2019 Bonds allocated among land use classes based on their respective Assigned Special Taxes. Includes, in addition to the estimated scheduled debt service on the 2019 Bonds during calendar year 2020, \$30,000 for Administrative Expenses.

(4) Allocated according to Percent of Total Projected FY 2019-20 Special Taxes.

(5) TRI Pointe Homes, Inc., one of the Developers, has advised that it has filed condominium plans for this parcel which allow for the development of 13 housing units, but the County has not yet assigned Assessor's parcel numbers for the units. Those 13 units are included among the several Residential Property Land Use categories above, as they were classified as Developed Property for Fiscal Year 2019-20 under the RMA. The Developer plans to file an additional condominium plans that will allow for the development of 66 more housing units on the parcel, for a total of 79 units on the parcel. See "THE DISTRICT—Land Ownership."

(6) Preliminary, subject to change.

Source: Webb Municipal Finance, LLC.

Annual Special Tax Levy. Each Fiscal Year commencing with Fiscal Year 2018-19, the Special Tax Requirement will be determined, and the City Council, acting as legislative body of the District, will levy the Special Taxes until the total Special Tax levy equals the Special Tax Requirement. The Special Tax Requirement is defined in the Rate and Method, subject to the Maximum Special Tax, as the amount required in any Fiscal Year for the District to pay the sum of (i) the debt service or the periodic costs on all outstanding Bonds due and payable in the Calendar Year that commences in such Fiscal Year, plus (ii) Administrative Expenses, plus (iii) the costs associated with the release of funds from an escrow account, plus (iv) any amount required to establish or replenish any reserve fund established in association with the Bonds, plus (v) the collection or accumulation of funds for the acquisition or construction of facilities or payment of fees authorized by the District by the levy on Developed Property of the Assigned Annual Special Tax provided that the inclusion of such amount does not cause an increase in the levy of Special Taxes on Approved Property, Undeveloped Property, or Provisional Exempt Property

as set forth in Steps Two, Three, Four, and Five described below, and (vi) pay reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year, less (vii) any amount available to pay debt service or other periodic costs on the Bonds pursuant to the Fiscal Agent Agreement.

Under the Rate and Method, the City Council, as the legislative body of the District, will levy the Special Taxes in five steps, in the following order, until the amount of the levy equals the amount needed to be collected to satisfy the Special Tax Requirement:

- Step One: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Annual Special Tax rates in Table 1 above to satisfy the Special Tax Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the applicable Assigned Annual Special Tax to satisfy the Special Tax Requirement.
- Step Three: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax for Undeveloped Property 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 first three steps have been completed, the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is the Alternative Special Tax Rate shall be increased Proportionately from the Assigned Annual Special Tax up to 100% of the Alternative Special Tax Rate as needed to satisfy the Special Tax Requirement.
- Step Five: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Exempt 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.

Notwithstanding the above, under no circumstances will the Special Taxes levied in any Fiscal Year against any Assessor's Parcel of Residential Property as a result of a delinquency in the payment of the Special Tax applicable to any other Assessor's Parcel be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.

The term "Proportionately" as used in the above steps means, for Developed Property, that the ratio of the 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 the apportionment of the Annual Special Tax under Step Four above, "Proportionately" means that the quotient of (a) Annual Special Tax less the Assigned Annual Special Tax divided by (b) the Alternative Special Tax Rate less the Assigned Annual Special Tax, is equal for all applicable Assessor's Parcels.

The Rate and Method provides that the Special Taxes that the Special Tax shall not be levied after the 2058-2059 Fiscal Year.

First Special Tax Levy, Delinquencies. The first levy of the Special Tax in the District was for Fiscal Year 2018-19. The levy was for a total of \$160,140.00 and was apportioned to 101 parcels classified as Developed Property under the Rate and Method for such Fiscal Year. The Special Tax Consultant has reported that, as of April 22, 2019, of the Fiscal Year 2018-19 Special Tax levy only, a total of \$1,515.00 levied on one parcel (or 0.95% of the total amount due) was delinquent.

Prepayment of Special Taxes. The Special Taxes obligation applicable to a parcel of Taxable Property within the District may be prepaid and the obligation to pay any Special Taxes for such Taxable Property may be fully or partially satisfied as described in the Rate and Method. See Sections G and H in the Rate and Method in Appendix B for detail as to the full and partial prepayment, respectively, of an Assessor's Parcel's Special Tax liability. No assurance can be given that partial or full prepayments of Special Taxes will not occur in the future. Prepayments of Special Taxes will result in a mandatory redemption of the 2019 Bonds. See "THE 2019 BONDS—Redemption – Extraordinary Redemption From Special Tax Prepayments" and "SPECIAL RISK FACTORS—Potential Early Redemption of 2019 Bonds from Special Tax Prepayments."

Reserve Fund

The Fiscal Agent Agreement establishes a debt service reserve fund (the "**Reserve Fund**") as a separate fund to be held in trust by the Fiscal Agent for the benefit of the Owners of the 2019 Bonds, as a reserve for the payment of principal of, and interest and any premium on, the 2019 Bonds and moneys in the Reserve Fund are subject to a lien in favor of the Owners of the 2019 Bonds. The Reserve Fund is required by the Fiscal Agent Agreement to be funded in an amount equal to the Reserve Requirement which amount is, as of any date of calculation, an amount equal to the least of (i) Maximum Annual Debt Service for the 2019 Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the 2019 Bonds, or (iii) ten percent (10%) of the original issue price of the 2019 Bonds. The Reserve Requirement as of the date of issuance of the 2019 Bonds will be \$_____.

Moneys on deposit in the Reserve Fund will be used solely for the purpose of paying the principal of and interest on the 2019 Bonds as such amounts shall become due and payable in the event that the moneys in the Special Tax Fund and the Debt Service Fund for such purpose are insufficient therefor or for redeeming 2019 Bonds as described below. The Fiscal Agent is directed by the Fiscal Agent Agreement to, when and to the extent necessary, withdraw money from the Reserve Fund and transfer such money to the Debt Service Fund or the Redemption Fund for such purpose.

On any date after the transfers required by the Fiscal Agent Agreement to the Interest Account and the Principal Account of the Debt Service Fund have been made for any Bond Year (see "SOURCES OF PAYMENT FOR THE 2019 BONDS—Special Taxes – Disposition of Special Tax Revenues"), if the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the Fiscal Agent will transfer to the Reserve Fund from the first available monies in the Special Tax Fund an amount necessary to increase the balance therein to the Reserve Requirement. If on September 1 of each year following the payment of scheduled debt service on the 2019 Bonds due and payable on such date, or the first Business Day thereafter if September 1 is not a Business Day, the amount on deposit in the Reserve Fund is in excess of the Reserve Requirement, the Fiscal Agent will transfer such excess to the Special Tax Fund. In connection with any optional or extraordinary mandatory redemption of 2019 Bonds from Prepayments or a partial defeasance of 2019 Bonds, amounts in the Reserve Fund may be

applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Fund following such redemption or partial defeasance equals the Reserve Requirement.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2019 Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent will transfer the amount in the Reserve Fund to the Redemption Fund to be applied, on the next succeeding Interest Payment Date, to the payment and redemption, in accordance with the optional redemption provisions of the Fiscal Agent Agreement of all of the Outstanding 2019 Bonds. In the event that the amount so transferred from the Reserve Fund to the Redemption Fund exceeds the amount required to pay and redeem the Outstanding 2019 Bonds, the balance in the Reserve Fund shall be transferred to the District to be used for any lawful purpose of the District as set forth in the Law.

Covenant for Superior Court Foreclosure

Foreclosure Under the Law. Pursuant to the Law, in the event of any delinquency in the payment of the Special Tax on a taxed parcel, the District may order the institution of a superior court action to foreclose the lien on the taxed parcel within specified time limits. In such an action, the real property subject to the unpaid amount of the Special Tax lien may be sold at judicial foreclosure sale.

District Foreclosure Covenant. Judicial foreclosure proceedings in the event of delinquent Special Taxes are not mandatory. However, the District will covenant in the Fiscal Agent Agreement for the benefit of the Bondowners that it will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) properties under common ownership with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of the Fiscal Year in which the Special Taxes were due, (ii) against all properties with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of any Fiscal Year if the amount of the Reserve Fund is less than the Reserve Requirement, and (iii) against all properties with delinquent Special Taxes (regardless of the amount of such delinquency) if the District determines that it has collected less than 95% of the total Special Taxes levied in any Fiscal Year.

No assurance can be given that any property within the District can be sold at foreclosure for a price sufficient to pay delinquent Special Taxes in the event of a default in payment of Special Taxes by the current landowners or future landowners within the District, nor can any assurance be given as to the time necessary to complete any foreclosure sale. The District is not required to be a bidder at any foreclosure sale. Also it should be noted that prompt commencement of foreclosure proceedings may not, in and of itself, result in a timely or complete payment of delinquent Special Taxes.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay all delinquent Special Tax installments. Subject to the Maximum Special Tax rates, the Rate and Method is designed to generate from all Taxable Property within the District the current year's debt service on the 2019 Bonds, administrative expenses of the District, and replenishment of the Reserve Fund to the Reserve Requirement. However, if foreclosure proceedings are necessary, and the Reserve Fund has been depleted, there could be a delay in payments to owners of the 2019 Bonds pending prosecution of the foreclosure proceedings and receipt by the District of the proceeds of the foreclosure sale. See "SPECIAL RISK FACTORS—Bankruptcy Delays" and "—Proceeds of Foreclosure Sales." Moreover, under no circumstances will the Special Taxes levied in any Fiscal

Year against any Assessor's Parcel of Residential Property as a result of a delinquency in the payment of the Special Tax applicable to any other Assessor's Parcel be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.

The ability of the District to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the obligee in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation. See "SPECIAL RISK FACTORS—FDIC/Federal Government Interests in Properties."

No assurance can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period may be shortened to 20 days for parcels other than those on which a dwelling unit for not more than four persons is located. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

Section 53356.6 of the Law requires that property sold pursuant to foreclosure under the Law be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.5 of the Law, the District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the District becomes the purchaser under a credit bid, the District must pay the amount of its credit bid into the Debt Service Fund under the Fiscal Agent Agreement, but this payment may be made up to 24 months after the date of the foreclosure sale. Neither the Law nor the Fiscal Agent Agreement requires the District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale, and the District has no intent to be such a purchaser.

No Teeter Plan

Collection of the Special Taxes is not subject to the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds," as provided for in Section 4701 et seq. of the California Revenue and Taxation Code (known as the "Teeter Plan"). Accordingly, collections of Special Taxes will reflect actual delinquencies, if any.

Investment of Moneys

Except as otherwise provided in the Fiscal Agent Agreement, all moneys in any of the funds or accounts established pursuant to the Fiscal Agent Agreement will be invested by the Fiscal Agent solely in Permitted Investments, as directed by the District. See APPENDIX C — "Summary of Certain Provisions of the Fiscal Agent Agreement" for a definition of "**Permitted Investments**" and for additional provisions regarding the investment of funds held under the Fiscal Agent Agreement.

Issuance of Parity Debt Only For Refunding Purposes

Parity Refunding Obligations. The Fiscal Agent Agreement allows for the issuance and sale of refunding bonds or other refunding obligations payable from and having a first lien upon the Net Taxes on a parity with the lien of the 2019 Bonds (referred to herein as “**Parity Refunding Obligations**”) so long as the issuance of such Parity Refunding Obligations results in a reduction in each Bond Year on the Annual Debt Service on the 2019 Bonds when combined with the Debt Service on the Parity Refunding Obligations following the issuance of such Parity Refunding Obligations.

Subordinate Bonds. The provisions of the Fiscal Agent Agreement do not in any way prohibit the District from issuing bonds or otherwise incurring debt secured by a pledge of Special Taxes subordinate to the pledge of such Special Taxes under the Fiscal Agent Agreement.

THE DISTRICT

Location and Description of the District

The Taxable Property in the District, which includes approximately 97 acres, is within a master-planned community known as Weston (formerly known as Castlerock). The property is located in the west side of the City along the northerly side of Mast Boulevard at Weston Road, and extends northerly along Weston Road for just over a mile from Mast Boulevard. The Taxable Property in the District was annexed from the City of San Diego to the City in August of 2016.

The District is located in a semi-rural area at the west side of the City, with much nearby open space and recreation amenities, including the 5,800- acre Mission Trails Regional Park nearby to the southwest. Immediately to the north and west of Weston the land slopes up into a large area of hilly open space that extends for about a mile to the north and several miles to the west to the Marine Corp Air Station Miramar. The majority of this hilly area is open space, and within this area though some distance to the northwest and over the ridge from Weston is the Sycamore Landfill.

Across Mast Boulevard to the south of Weston is the West Hills High School campus. This campus covers about 74 acres and extends for a significant distance along Mast Boulevard. To the west of the high school is West Hills Park on an 8.4-acre site, with amenities including lighted baseball fields, sports/multipurpose field, sand volleyball court, playground equipment, picnic tables, barbecue grills, restroom facility, open green space and parking lot. To the east and south of the high school are residential neighborhoods with homes that were mostly built in the early 1960's and early 1970's, and the Carlton Oaks Elementary School.

Along the east side of Weston extending north from Mast Boulevard are various neighborhoods of homes. The homes were built from the late 1960's (southerly end and central area) to the early 1980's (northerly end), and generally range in size from ±1,000 s.f. to 2,500 s.f., with an average of near 1,500 s.f. Sale prices over the past year have indicated the price range from the high \$400,000's to the high \$500,000's.

Beyond these homes is the Santee Lakes Recreation Preserve (the “**Preserve**”). This is a 190-acre park with 7 recycled water lakes that extend from slightly south of to well north of Mast Boulevard. The park provides amenities including camping, cabin rentals, fishing, boating, special events, playgrounds, walking trails, and approximately 230 bird species. The

overall Preserve is owned and operated by Padre Dam Municipal Water District. Farther to the east are various neighborhoods of homes.

Primary access to the property in the District is off of Mast Boulevard at Weston Road. Secondary access off of Mast Boulevard is by Boulder Vista at the west end of the District. All of the lots in the District front on or have access off of Weston Road, with Hightail Drive, Trailridge Avenue and Toyopa Court coming off of Weston Road. See the site plan for the property in the District below.

In addition to the 415 homes being built, the community will include the Boulder Ridge Swim Club, a 4.47-acre neighborhood park, four tot lots and two small open space areas, a walking trail along the east side of the community, and large open space areas along the west side of the development. See page v for an aerial view of the property in the District.

The Boulder Ridge Swim Club is located on a .6-acre site in the center of the development at the southerly corner of Weston Road and Trailridge Avenue. This fenced and gated facility was recently completed and includes a 2,748 square foot clubhouse with fitness room, lounge, meeting room, storage areas and covered patio, plus a swimming pool, spa, kids pool and large deck area.

The 4.47-acre community park that the Master Developer is required by that certain Park Development Agreement (“**Park Agreement**”) by and between the City and Master Developer effective as of September 19, 2017, to develop and that is part of the Improvements to be funded with 2019 Bond proceeds (see “**THE DISTRICT—The Improvements**”), will be located toward the northerly end of the development on the westerly side of Trailmark Way. It will function as a connector to the trailhead at its eastern edge and the system of hillside nature trails beyond, and as a gateway to Mission Trails Regional Park. It is to include restrooms, walking paths, shade structure with picnic tables, park benches and a parking lot, and is expected to be completed by the second quarter of 2020. See “**THE DISTRICT—The Improvements**” and “**SPECIAL RISK FACTORS—Failure to Complete the Development.**”

Three of the tot lots are located along the east side of Weston Road and Trailridge Avenue between sections of the Lake Ridge product type, providing open areas for territorial views to the east and connection points with the walking trail along the east side of the development. Also, two small open space areas are along the east side of Weston Road and function similarly. The fourth tot lot is located at the north side of the west part of the Prism product type (described below), abutting the hilly area to the north.

The property in the District was entitled by the City of San Diego, prior to its annexation to the City, for the construction of 273 single-family detached homes, 142 detached condominium units and a public park. Subsequent to such annexation and pursuant to proceedings conducted by the City Council, acting as the legislative body of the District under the Law, the District was established in September of 2017 (see “**THE DISTRICT—History of the District**”). At the time of formation of the District, the Master Developer owned approximately 158 of the acres in the territory of the District, and TRI Pointe Homes, Inc. owned the remaining 26 acres in the District that it acquired from the Master Developer in July of 2017. See “**THE DISTRICT—The Developers.**”

The Master Developer has advised that all necessary environmental approvals needed for the development of the property in the District have been obtained, and final subdivision maps have been recorded for the property, however TRI Pointe Homes, Inc. has filed and is otherwise processing condominium plans for one of the parcels in the District (see the discussion following Table 2 under the heading “**THE DISTRICT—Land Ownership**”). Other than building permits for individual homes, the Master Developer has represented that no other

permits need to be obtained in order to complete the buildout of the property in the District. All necessary water and sewer system hookups and electrical service and natural gas service for the 415 lots in the District are in place.

The Master Developer has completed the major infrastructure improvements needed for the development of the property in the District, except for certain trail improvements expected to be completed by October, 2019, the development of a public park expected to be completed by the second quarter of 2020, certain resource permit implementation, certain common area landscaping and final “punch list” items for some of the improvements. The Developers have been constructing homes in the District since July of 2017. The 415 homes in the District are being constructed in four different product types. The product types and the current status of the construction of each of which are as follows:

Prism, which is being developed by TRI Pointe Homes, includes 142 homes in a detached condominium layout ranging in size from 1,789 square feet to 2,148 square feet; with, as of March 4, 2019, 53 completed homes, 14 homes under construction and 75 vacant lots.

Sandstone, which is being developed by Pardee Homes, includes 81 homes on ±3,700 square feet minimum lot/pad size; 2,311 square feet to 2,599 square feet; with, as of March 4, 2019, 69 completed homes, 0 homes under construction and 12 vacant lots.

Talus, which is being developed by TRI Pointe Homes, includes 63 homes on ±4,800 square feet minimum lot/pad size; 2,522 square feet to 2,895 square feet; with, as of March 4, 2019, 46 completed homes, 17 homes under construction and 0 vacant lots.

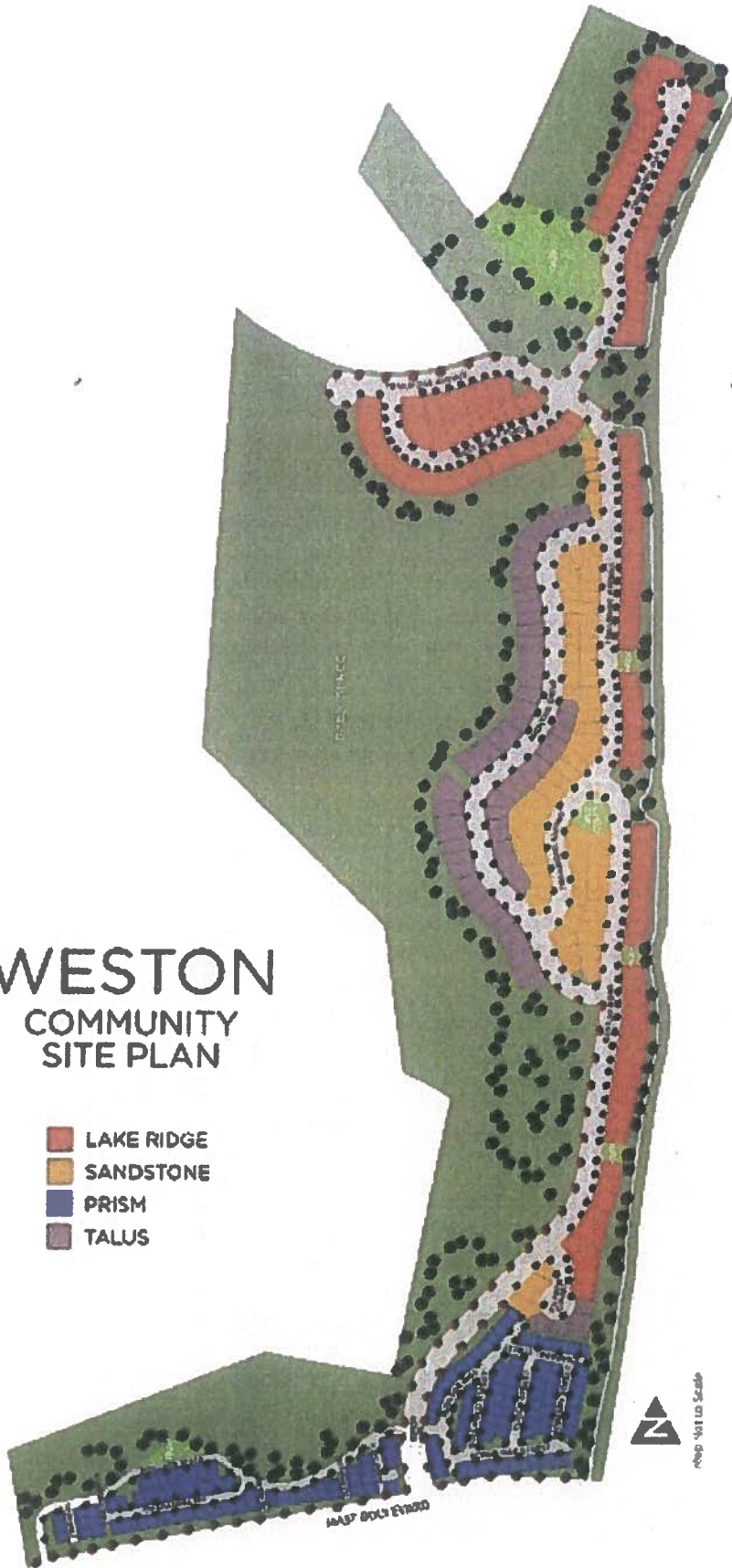
Lake Ridge, which is being developed by Pardee Homes, includes 129 homes on ±5,500 square feet minimum lot/pad size; 2,396 square feet to 3,750 square feet; with, as of March 4, 2019, 53 completed homes, 14 homes under construction and 62 vacant lots.

See Table 2 under the heading “THE DISTRICT—Land Ownership”, and the Appraisal Report in Appendix H. No assurance can be given that all of the 415 homes planned for the territory in the District will be completed. See “SPECIAL RISK FACTORS—Failure to Complete Development.”

The following page contains a map showing the site plan for the property in the District.

WESTON COMMUNITY SITE PLAN

- LAKE RIDGE
- SANDSTONE
- PRISM
- TALUS



The plan is a preliminary site plan and is not intended to be used for construction. It is subject to change without notice. The plan is not a contract. The plan is not a warranty. The plan is not a representation. The plan is not a guarantee. The plan is not a promise. The plan is not a statement of fact. The plan is not a statement of opinion. The plan is not a statement of belief. The plan is not a statement of intention. The plan is not a statement of value. The plan is not a statement of price. The plan is not a statement of cost. The plan is not a statement of profit. The plan is not a statement of loss. The plan is not a statement of gain. The plan is not a statement of harm. The plan is not a statement of benefit. The plan is not a statement of risk. The plan is not a statement of reward. The plan is not a statement of punishment. The plan is not a statement of reward. The plan is not a statement of punishment. The plan is not a statement of reward. The plan is not a statement of punishment.

Construction of the model home units began in July of 2017, with the construction of for sale units commencing in January of 2018. Note that homes currently under contracts of sale may not result in completed sales, as contracts of sale are subject to cancellation prior to the close of escrow. Also, no assurance can be given that home construction and sales will continue as expected. The Developers maintain a website for the Weston development at www.westoncommunity.com; however, the District has not reviewed the website and cannot make any representation regarding the accuracy or completeness of the information thereon, and the website is not incorporated into this Official Statement.

History of the District

On April 27, 2016, the City and the Master Developer entered into a Community Facilities District Reimbursement Agreement whereby the City acknowledged the Master Developer's application to the City to initiate proceedings to form the District and its agreement to advance funds to pay costs of the City in conducting the proceedings. The City Council of the City, in the capacity of the legislative body for the District (the "**Legislative Body**"), initiated proceedings under the Law to establish the District on August 23, 2017. On that date, in addition to the City Council adopting a Resolution approving an Amended and Restated Statement of Goals and Policies Concerning the Use of the Mello-Roos Community Facilities Act (the "**Goals and Policies**"), the Legislative Body adopted Resolution No. 089-2017 approving a boundary map for the District, adopted Resolution No. 090-2017 declaring its intention to establish the District (the "**Resolution of Intention**"), and adopted Resolution No. 091-2017 declaring the necessity to incur bonded indebtedness of up to \$10,300,000 of the District to finance the Improvements.

On September 27, 2017, the Legislative Body held a public hearing regarding the establishment of the District, the levy of the Special Taxes on real property in the District pursuant to the Rate and Method, all other matters set forth in the Resolution of Intention, and its intention to incur bonded indebtedness of the District to finance the Improvements. Following the public hearing on September 27, 2017, the Legislative Body adopted Resolution No. 102-2017 establishing the District and providing for the annual levy of the Special Taxes on the real property in the District and calling for a consolidated election of the then property owners in the District regarding the establishment of the District, the levy of the Special Taxes, the incurrence of not to exceed \$10,300,000 in bonded indebtedness for the District, and the establishment of a \$10,300,000 appropriations limit for the District. The Legislative Body also adopted Resolution No. 103-2017 determining the necessity to incur up to \$10,300,000 in bonded indebtedness of the District to finance the Improvements, and Resolution No. 104-2017 making certain findings, calling for the consolidated election referred to above and setting forth the election procedures.

The consolidated election was then held on September 27, 2017 at which the two qualified electors (the Developers, as the then sole owners of the property in the District) voted in favor of all of the propositions presented at the election. The Legislative Body then proceeded to adopt Resolution No. 105-2017 declaring the results of the election and directing the recordation of a Notice of Special Tax Lien against the property in the District. Finally, on September 27, 2017, the City Council adopted Resolution No. 106-2017 approving the form of the Acquisition/Funding Agreement, and had the first reading of Ordinance No. 548 authorizing the levy of the Special Taxes on the real property in the District pursuant to the Rate and Method.

On October 11, 2017, the Legislative Body adopted Ordinance No. 548 authorizing the levy of the Special Taxes. The Notice of Special Tax Lien for the District was recorded in the San

Diego County Recorder's Office on October 12, 2017. On January 24, 2019, the City, acting for itself and on behalf of the District, and the Developers entered into the Acquisition/Funding Agreement.

Concurrently with the establishment of the District, the City Council, as the legislative body for CFD 2017-2, conducted proceedings under the Law to establish CFD 2017-2 and to authorize the levy of special taxes on real property therein in order to provide funds to pay for various municipal services to be provided by the City to the territory of the land in the District. CFD 2017-2 is authorized to levy special taxes on property in CFD 2017-2, whose boundaries are coterminous with the boundaries of the District, in perpetuity. See "THE DISTRICT—Direct and Overlapping Governmental Obligations" for a more complete description of CFD 2017-2 and the special taxes it is authorized to levy.

Pursuant to the Law, on May 22, 2019, the Legislative Body adopted Resolution No. _____ determining that the Special Tax for the District, and the Special Tax for CFD 2017-2, shall cease to be levied on certain parcels in the District (the "**Released Parcels**") and directing the City Clerk to record a Notice of Cessation of Special Tax with the County Recorder applicable to the Released Parcels. The Released Parcels include areas of open space and containing vernal pools located in the District, to be transferred to the City of San Diego, and do not include any of the Taxable Property.

Also, on May 22, 2019, the Legislative Body adopted Resolution No. _____ authorizing the issuance of the 2019 Bonds, approving the Fiscal Agent Agreement and approving related documents and actions. That Resolution included a determination by the Legislative Body that the terms and conditions of the 2019 Bonds, as contained in the Fiscal Agent Agreement, are consistent with and conform to the Goals and Policies, and recited that the 2019 Bonds are to be issued pursuant to the terms and provisions of the Law, the Goals and Policies and the City's Debt Management Policy. The net proceeds of the 2019 Bonds will be used to reimburse the Master Developer for costs of the Improvements constructed by it to date in accordance with the Acquisition/Funding Agreement. See "PLAN OF FINANCING—Overview." While the District is authorized to incur up to \$10,300,000 in bonded indebtedness, it has covenanted in the Fiscal Agent Agreement not to issue any bonds or obligations payable from the Special Taxes superior to, or on a parity with the lien of the 2019 Bonds; except that the Fiscal Agent Agreement allows for the issuance of Parity Refunding Obligations with a parity lien on the Net Taxes. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Issuance of Parity Debt Only For Refunding Purposes."

The Improvements

The District is authorized to fund various public infrastructure improvements, consisting of (a) street improvements including traffic control, compact and finegrade, paving, curb, gutter, sidewalk, driveways, pedestrian ramps, slot patching, trail, street light relocation, striping and signage, and appurtenant facilities and expenses; (b) bridge improvements including construction, excavation, backfill, temporary crossing, and appurtenant facilities and expenses; (c) traffic signal improvements including a 4-way traffic signal at Mast Boulevard and Weston Road; (d) park improvements including earthwork/grading, civil improvements, utility work, site furnishings, paving and surfaces, irrigation and planting; (e) trail and fencing improvements including gutter improvements and lodge pole fencing; and (f) dry utility improvements including dry utilities for Mast Boulevard and Mast Boulevard to Toyopa Court. The specific Improvements to be financed with proceeds of the 2019 Bonds are more particularly set forth in the Acquisition/Funding Agreement, which contains requirements for the design, bidding and construction of the Improvements.

The Acquisition/Funding Agreement provides for the payment to the Master Developer of the "Acquisition Price" (capitalized terms used in this sentence have the meanings given to them in the Acquisition/Funding Agreement) of the Improvements specified in the Acquisition/Funding Agreement in three increments including (i) the "Base Increment" equal to seventy-five percent of the "Actual Costs," excluding "Professional Services Costs," (ii) the "Retained Increment" being the amount not to exceed the remaining unpaid portion of the Acquisition Price of the Improvements, and (iii) if, following payment of the Base Increment and Retained Increment of the Acquisition Price for all Improvements excluding Professional Services Costs, the Professional Services Costs from any remaining funds in the Project Fund. The Master Developer reports that it has completed all of the Improvements, other than certain trail improvements expected to be completed by October of 2019, the park improvements required by the Park Agreement expected to be completed by the second quarter of 2020, landscaping and final "punch list" work for the Improvements. The Park Agreement requires that the park improvements be completed and the park must be ready for operational use before final inspection of and issuance of a building permit for the last Lake Ridge product home in the District (see "THE DISTRICT—Location and Description of the District"), but not later than 5 years from the Effective Date of the Park Agreement (which deadline is September 9, 2022). See "SPECIAL RISK FACTORS—Failure to Complete the Development."

On March 5, 2019, the Master Developer submitted a payment request for payment of the Base Increment related to the completed Improvements. The City reports that it has responded to the Master Developer's submittal requesting some additions/clarifications to the submittal. Proceeds of the 2019 Bonds deposited to the Project Fund will be used, upon final approval by the City, to pay the Actual Costs of the Improvements as described above and pursuant to the terms and conditions of the Acquisition/Funding Agreement.

The Developers

The information about Pardee Homes and TRI Pointe Homes, Inc. (collectively, the "Developers") contained in this Official Statement has been provided by the respective representatives of the Developers, and has not been independently confirmed or verified by the Underwriter, the City or the District. None of the Underwriter, the City or the District makes any representation as to the accuracy or adequacy of the information contained in this section. There may be material adverse changes in this information after the date of this Official Statement.

The inclusion of information in this Official Statement related to the Developers should not be construed to suggest that the 2019 Bonds, or the Special Taxes that will be used to pay the 2019 Bonds, are recourse obligations of the Developers or any other property owner in the District. A property owner may sell or otherwise dispose of land within the District or a development, or any interest in such development, at any time. See "SOURCES OF PAYMENT FOR THE 2019 BONDS" and "SPECIAL RISK FACTORS—Payment of Special Tax Is Not a Personal Obligation."

TRI Pointe Group, Inc. The Developers are wholly-owned subsidiaries of TRI Pointe Group, Inc., a Delaware corporation ("**TRI Pointe Group**"), a publicly traded company whose common stock is traded on the New York Stock Exchange under the ticker symbol "TPH." TRI Pointe Group is engaged in the design, construction and sale of single-family homes through its portfolio of six quality brands across ten states, including Maracay Homes in Arizona, Pardee Homes in California and Nevada, Quadrant Homes in Washington, Trendmaker Homes in Texas, TRI Pointe Homes in California, Colorado, South Carolina and North Carolina and Winchester Homes in Maryland and Virginia.

TRI Pointe Group is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and in accordance therewith files reports, proxy

statements and other information, including financial statements, with the Securities and Exchange Commission (the "SEC"). Such filings, particularly TRI Pointe Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as filed with the SEC on February 26, 2019, and its Quarterly Report on Form 10-Q for the quarter ending March 31, 2019 as filed with the SEC on April 25, 2019 set forth, among other things, certain data relative to the consolidated results of operations and financial position of TRI Pointe Group and its subsidiaries, including the Developers, as of such dates.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including TRI Pointe Group. The address of such Internet web site is www.sec.gov. All documents subsequently filed by TRI Pointe Group pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of TRI Pointe Group's Annual Report and each of its other quarterly and current reports, including any amendments, are available from TRI Pointe Group's website at www.tripointegroup.com. The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement.

Pardee Homes. Pardee Homes ("**Pardee**") is a California corporation and a wholly-owned subsidiary of TRI Pointe Group. Some of the other single-family development projects underway by Pardee in Southern California include the following:

Project Name	Location	No. of Residential Lots
Sendero at Pacific Highlands Ranch	San Diego	112
Terraza at Pacific Highlands Ranch	San Diego	81
Carmel at Pacific Highlands Ranch	San Diego	105
Vista Del Mar at Pacific Highlands Ranch	San Diego	79
Vista Santa Fe at Pacific Highlands Ranch	San Diego	44
Veraz at Playa Del Sol	San Diego	111
Moderna at Playa Del Sol	San Diego	44
Arista at Aliento	Santa Clarita	112
Cresta at Aliento	Santa Clarita	67
Sola at Skyline Ranch	Santa Clarita	73
Lyra at Skyline Ranch	Santa Clarita	84

TRI Pointe Homes. TRI Pointe Homes, Inc. ("**TRI Pointe**") is a Delaware corporation and a wholly-owned subsidiary of TRI Pointe Group. Some of the other single-family development projects underway by TRI Pointe in Southern California include the following:

Project Name	Location	No. of Residential Lots
Aria at Esencia	Rancho Mission Viejo	151
Celestia at Skyline	Santa Clarita	72
Citron at Bedford	Corona	101
Hazel at The Preserve	Chino	133
Ivy at The Preserve	Chino	113
Lucera at Aliento	Santa Clarita	67
Lyric at Cadence Park	Irvine	70
Mystral at Skyline	Santa Clarita	78
Paloma	Santa Clarita	155
St. James at Park Place	Ontario	207
StrataPointe	Buena Park	149
Tempo at The Resort	Rancho Cucamonga	80
Terrassa Villas	Corona	52
Viridian at Esencia	Rancho Mission Viejo	72
VuePointe	El Monte	102
Windbourne	Huntington Beach	51

Financing Plan. As of April 26, 2019, Pardee estimates that it has spent approximately \$165,600,000 on developing the property in the District, including land cost, and that it expects the costs to complete its portion of the Weston development, including, without limitation, remaining resource permit implementation, landscaping, trails, neighborhood parks, sidewalks, perimeter walls and the costs to complete its remaining home construction, marketing and sales for the Sandstone and Lake Ridge neighborhoods in the District to be approximately \$35,000,000. As of April 30, 2019, TRI Pointe estimates that it has spent approximately \$49,600,000 on developing the property in the District, and that it expects its remaining home construction costs and other development, marketing and sales costs for development of the Prism and Talus neighborhoods in the District to be approximately \$16,700,000.

The Developers finance their land acquisition and home construction costs related to their activities in the District through internal sources, including funding from their parent, TRI Pointe Group. The Developers intend to use this source of funds, together with proceeds of future home sales, to finance their remaining home construction costs and carrying costs for its activities in the District (including the payment of property taxes and the Special Taxes) until full sell-out of all of their planned homes in the District. However, home sales revenues from the Developers' activities in the District are not segregated and set aside for completing the homes in the District. Home sales revenue is swept daily from the Developers for use in corporate operations, to pay down debt and for other corporate purposes and might get diverted to other TRI Pointe Group needs at the discretion of management. Notwithstanding the foregoing, the Developers believe that they will have sufficient funds to complete their construction of homes in the District, and the construction of the park improvements required by the Park Agreement and the Acquisition/Funding Agreement.

As of March 31, 2019, TRI Pointe Group was a party to a Second Amended and Restated Credit Agreement with U.S. Bank and other lenders dated as of March 29, 2019, which consists of a \$600 million unsecured revolving credit facility (the "**TRI Pointe Group Revolving Facility**") and a \$250 million term loan facility (the "**TRI Pointe Group Term Facility**") and together with the TRI Pointe Group Revolving Facility, the "**TRI Pointe Group Credit Facility**"), each of which matures on March 29, 2023. The TRI Pointe Group Term Facility includes a 90-day delayed draw provision. The TRI Pointe Group Revolving Facility contains a sublimit of \$75 million for letters of credit. TRI Pointe Group may increase the TRI Pointe Group Credit Facility to not more than \$1 billion in the aggregate, at its request, upon

satisfaction of specified conditions. TRI Pointe Group may borrow under the TRI Pointe Group Credit Facility in the ordinary course of business to fund its land acquisition and operations, including its land development and homebuilding activities. The TRI Pointe Group Credit Facility contains a borrowing base and certain covenants which may limit the amount TRI Pointe Group may borrow or have outstanding at any time. As of March 31, 2019 TRI Pointe Group had no outstanding balance under the TRI Pointe Group Credit Facility and \$818.8 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of March 31, 2019, TRI Pointe Group had outstanding letters of credit of \$31.2 million. TRI Pointe Group's ability to renew the TRI Pointe Group Credit Facility in the future is dependent upon a number of factors including the state of the commercial lending environment, the willingness of banks to lend to homebuilders and TRI Pointe Group's financial condition and strength.

Although the Developers expect to have sufficient funds available to complete their planned construction of homes and the trail and park improvements in the District, no assurance can be given that the sources of financing available to the Developers will be sufficient to complete the construction as currently anticipated. While TRI Pointe Group has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither of the Developers nor any affiliate thereof has any legal obligation of any kind to make any such funds available or to obtain loans. If and to the extent that internal financing and home sales revenues are inadequate to pay the costs to complete the Developers' planned home construction and the construction of trail and park improvements within the District and other financing by the Developers is not put into place, there could be a shortfall in the funds required to complete the proposed home construction by the Developers.

Land Ownership

The following Table 2, provided by the Special Tax Consultant for the District based on information provided by the Developers and derived from the Appraisal Report, sets forth by category of Developed Property under the Rate and Method the ownership status of the 415 homes constructed or to be constructed in the District as of March 4, 2019 (the date of valuation of the property in the District in the Appraisal Report). See "THE DISTRICT—Property Values" and "SOURCES OF PAYMENT FOR THE 2019 BONDS—Summary of Rate and Method."

Table 2
Community Facilities District No. 2017-1
(Weston Infrastructure) of the City of Santee
Estimated Value to Lien by Development Status and Property Owner

Classification ⁽¹⁾	Parcels	Projected Fiscal Year 2019-20 Special Tax ^{(2),(4)}	Percentage of Total Projected FY 2019-20 Special Tax ⁽⁵⁾	Appraised Value	Share of 2019 Bonds ^{(3),(5)}	Outstanding Debt Value-to-Lien Ratio ⁽⁵⁾
Developed Individual	170	\$258,405	45.81%	\$125,620,000	\$4,056,241	30.97:1
Developed Pardee Homes	72	122,285	21.68	29,661,452	1,919,535	15.45:1
Developed TRI Pointe Homes	72	100,720	17.85	30,118,333	1,581,024	19.05:1
Approved Pardee Homes	35	67,360	11.94	9,918,548	1,057,367	9.38:1
Undeveloped TRI Pointe Homes	1 ⁽⁴⁾	15,342	2.72	15,036,667	240,832	62.44:1
Totals	350	\$564,113	100.00%	\$210,355,000	\$8,855,000	23.76:1

(1) Development and ownership information as of March 4, 2019.

(2) Based upon the preliminary scheduled annual debt service for the 2019 Bonds allocated among land use classes based on their respective Annual Assigned Special Taxes. Includes, in addition to the estimated scheduled debt service on the 2019 Bonds during calendar year 2020, \$30,000 for Administrative Expenses.

(3) Based on principal of 2019 Bonds allocated according to Percentage of Total Projected Fiscal Year 2019-20 Special Tax.

(4) See description below of the status of this parcel and the expected 66 additional housing units to be developed on it.

(5) Preliminary, subject to change.

Source: Webb Municipal Finance, LLC.

TRI Pointe, has advised that it has filed condominium plans with the City for the one undeveloped parcel identified as owned by it in Table 2 above. The condominium plans allow for the construction of the Prism home product type on 13 lots, but the County has not yet assigned individual County Assessor's parcel numbers for the 13 lots. Nevertheless, the 13 parcels were classified as Developed Property under the RMA for Fiscal Year 2019-20, and so are included in the Developed TRI Pointe Homes category above. TRI Pointe has advised that it plans to file additional condominium plans to allow for the development of 66 more lots on the parcel, for a total of 79 lots for such parcel.

Property Values

The value of property within the District is an important factor in determining the investment quality of the 2019 Bonds. If a property owner defaults in the payment of the Special Tax, the District's primary remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. The Special Tax is not a personal obligation of the owners of the property. A variety of economic, political, and natural occurrences incapable of being accurately predicted can affect property values. See "SPECIAL RISK FACTORS—Property Value."

Appraisal of Property in the District. The District has commissioned the Appraisal Report, dated March 13, 2019 for the property in the District. The Appraisal Report estimates the market value, by product type, of the Taxable Property in the District as of March 4, 2019, based upon the assumptions and limiting conditions described in the Appraisal Report, including an extraordinary assumption to the effect that there are no soil, geologic, seismic or environmental conditions that would negatively impact the existing or planned uses of the property in the District and that the estimates provided by the Developers of the remaining costs and fees to get the undeveloped lots in the District from their as is condition to finished lots are reasonable and accurate. **The Appraisal Report is included in Appendix H to this Official Statement and should be read in its entirety for an explanation of the methodology and the assumptions underlying and the conditions limiting the valuation conclusions**

contained in the Appraisal Report. Neither the District nor the Underwriter makes any representation as to the accuracy or completeness of the Appraisal Report.

The Appraiser concluded in the Appraisal Report that the cumulative (aggregate) value of the Taxable Property in the District is \$210,355,000, with certain assumptions and limiting conditions set forth in the Appraisal Report. The appraised value of the Taxable Property in the District, as reflected in the Appraisal Report, is approximately 23.76* times the \$8,855,000* initial principal amount of the 2019 Bonds.

The Appraisal Report does not take into account possible future liens or indebtedness which may be imposed by the District or by other public entities on Taxable Property in the District. The District has not covenanted, and in many instances does not have the legal ability, to restrict other entities from imposing indebtedness which may be secured by a lien on the Taxable Property in the District which is on a parity with the Special Tax. See "THE DISTRICT—Direct and Overlapping Governmental Obligations" and "SPECIAL RISK FACTORS—Parity Taxes and Special Assessments." A number of economic, political, and natural occurrences may adversely affect the value of the property as expressed in the Appraisal Report. See "SPECIAL RISK FACTORS."

Absorption Analysis. Empire Economics, Inc. has prepared the Absorption Analysis examining the expected demand for the homes being constructed in the District. The Absorption Analysis determined that the sales of homes in the District experienced strong escrow closings and that there was a significant number of new homes produced and available for closings, but that homes scheduled for escrow closings in the first quarter of 2019 indicated a potential slowdown in absorption rates, and final absorption of all 415 homes to be constructed in the District would occur by the end of 2022. The Appraiser makes note of the Absorption Analysis in the Appraisal Report. See APPENDIX I – "Absorption Analysis" for a complete copy of the Absorption Analysis. None of the City, the District or the Underwriter makes any representation as to the accuracy or the completeness of the Appraisal Report or the Absorption Analysis.

Value-to-Burden Ratio

General Information Regarding Value-to-Burden Ratios. The value-to-burden ratio for bonds secured by special taxes will generally vary over the life of those bonds as a result of changes in the value of the property that is security for the special taxes and the principal amount of the bonds. As described under the heading "THE DISTRICT—Location and Description of the District," and as more fully described in the Appraisal Report in Appendix H, there are currently a number of vacant lots in the District and other lots with homes currently under construction.

In comparing the aggregate appraised value of the Taxable Property within the District and the principal amount of the 2019 Bonds, it should be noted that an individual parcel may only be foreclosed upon to pay delinquent installments of the Special Taxes attributable to that parcel. For purposes of Table 3 below, the principal amount of the 2019 Bonds is not allocated equally among the Taxable Parcels within the District; rather, the principal amount of the 2019 Bonds has been allocated among the parcels within the District based on their respective share of the total projected Special Taxes to be levied in fiscal year 2019-20.

Economic and other factors beyond the property owners' control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property

* Preliminary, subject to change.

owners, or the complete or partial destruction of Taxable Property caused by, among other possibilities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District. See “SPECIAL RISK FACTORS—Property Value” and “—Bankruptcy Delays.”

Appraised Values, Projected Special Tax Levy and Estimated Appraised Value to Bond Debt Ratios. Table 3 below sets forth, in summary fashion, the appraised value to lien ratios for the parcels in the District based on this appraised values in the Appraisal Report, the projected Special Tax levy on the parcels based on their development status as of March 4, 2019 (the date of valuation of the Taxable Property in the Appraised Report), and allocates the principal amount of the 2019 Bonds to the various groupings of the parcels based on their respective percentage of the projected Fiscal Year 2019-20 Special Tax levy.

Table 3
Community Facilities District No. 2017-1
(Weston Infrastructure) of the City of Santee
Appraised Value to Lien Ratios

Appraised Value to Lien	No. of Parcels ⁽⁵⁾	Total Appraised Value	Projected FY 2019-20 Levy ^{(1),(6)}	Percent of Total Projected FY 2019-20 Levy ⁽⁶⁾	Allocation of 2019 Bonds ^{(2),(6)}	Aggregate Value-to- Lien ⁽⁶⁾
Less than 10.00:1 ^{(3),(6)}	30	\$ 8,501,613	\$ 61,640	10.93%	\$ 967,579	8.79:1
Between 10.00:1 and 14.99:1	73	19,676,720	112,255	19.90	1,762,093	11.17:1
Between 15.00:1 and 19.99:1	23	10,440,000	38,075	6.75	597,672	17.47:1
Between 20.00:1 and 24.99:1	18	10,405,000	28,505	5.05	447,449	23.25:1
Between 25.00:1 and 29.99:1	104	72,100,000	162,690	28.84	2,553,781	28.23:1
Greater than 29.99:1 ^{(4),(6)}	102	89,231,667	160,947	28.53	2,526,426	35.32:1
Total	350	\$210,355,000	\$564,113	100.00%	\$8,855,000	23.76:1

(1) Based upon the preliminary scheduled annual debt service for the 2019 Bonds allocated among land use classes based on their respective Assigned Annual Special Taxes. Includes, in addition to the estimated scheduled debt service on the 2019 Bonds during calendar year 2020, \$30,000 for Administrative Expenses.

(2) Allocated based on Percent of Total Projected Fiscal Year 2019-20 Levy.

(3) Lowest estimated Value-to-Lien is 4.88:1.

(4) Highest estimated Value-to-Lien is 62.44:1.

(5) See the discussion following Table 2 under the heading “THE DISTRICT—Land Ownership” for a description of condominium maps recorded and to be recorded to allow the development of a total of 79 lots on one of the parcels in the District.

(6) Preliminary, subject to change.

Source: Webb Municipal Finance, LLC.

Special Tax Levies and Delinquencies

The first levy of the Special Tax in the District was for Fiscal Year 2018-19. The following table is a summary of Special Tax levy, collection and delinquency rate based on the amount levied and outstanding delinquencies.

Table 4
Community Facilities District No. 2017-1
(Weston Infrastructure) of the City of Santee
Special Tax Levies, Collections and Delinquencies
Fiscal Year 2018-19

Fiscal Year	Amount Levied	Parcels Levied	Delinquent as of April 22, 2019		
			Number of Parcels Delinquent	Amount Delinquent	Percent Delinquent
2018-19 ⁽¹⁾	\$160,140.00	101	1	\$1,515.00 ⁽¹⁾	0.95%

(1) The first levy of the Special Taxes was for Fiscal Year 2018-19. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Summary of Rate and Method – First Special Tax Levy, Delinquencies."
 Source: Webb Municipal Finance, LLC.

Any Special Taxes levied to date on property in the District will be used to pay District administrative expenses and amounts due to the Master Developer under the Acquisition/Funding Agreement. Special Taxes received by the District from future Special Tax levies will be disposed of as described under the heading "SOURCES OF PAYMENT FOR THE 2019 BONDS—Special Taxes – Disposition of Special Tax Revenues." The September 1, 2019 debt service payment on the 2019 Bonds will be paid from 2019 Bond proceeds deposited to the Capitalized Interest Sub-Account of the Interest Account of the Debt Service Fund held by the Fiscal Agent under the Fiscal Agent Agreement. See "PLAN OF FINANCING—Estimated Sources and Uses of Funds."

No assurance can be given that Special Taxes levied on Taxable Property (including the installment of the Fiscal Year 2018-19 levy delinquent if not paid by April 10, 2019) will be paid when due. See "SPECIAL RISK FACTORS—Insufficiency of Special Taxes."

Direct and Overlapping Governmental Obligations

General. The Taxable Property within the District is subject to general obligation and general fund overlapping debt. Currently, special taxes also are imposed upon property within the District pursuant to a community facilities district established by the City Council ("CFD 2017-2") to fund certain maintenance services. See "THE DISTRICT—History of the District." While CFD 2017-2 is not authorized to incur bonded indebtedness, the lien securing payment of special taxes levied by CFD 2017-2 on the Taxable Property in the District is co-equal to the lien for the Special Taxes and will be co-equal to the lien for any assessment district or community facilities district that may be established in the future, as well as co-equal with the lien for general property taxes. Additional indebtedness could be authorized by other public agencies at any time.

Presently, land within the District is subject to approximately \$978,675 of total outstanding general obligation overlapping debt, in addition to the \$8,855,000* initial principal amount of the 2019 Bonds. To repay direct and overlapping debt the owners of the land within the District must pay the annual Special Taxes, special taxes levied for CFD 2017-2, and the

* Preliminary, subject to change.

general property tax levy. The ability of the District to collect the Special Taxes could be adversely affected if additional debt is issued with respect to the Taxable Property in the District. The land, at any time, could become subject to additional parity debt either by the formation of additional community facilities districts or the imposition of other taxes and assessments by public agencies other than the District on behalf of the property owners within the District. The imposition of additional liens on a parity with the Special Taxes may reduce the ability or willingness of the landowners to pay the Special Taxes and may increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes.

CFD 2017-2. For Fiscal Year 2018-19, CFD 2017-2 is authorized to levy on each parcel of Taxable Property a maximum annual special tax A of \$281.52 per parcel of residential property, \$171.81 per parcel of approved property, and \$1,395.18 per acre of undeveloped property, all as set forth in the approved rate and method of apportionment of special taxes for CFD 2017-2 (the "**CFD 2017-2 Rate and Method**"). CFD 2017-2 is also authorized to levy on each parcel of Taxable Property a maximum annual special tax B if the homeowner's association for the Weston development is dissolved, becomes bankrupt or otherwise doesn't levy annual assessments sufficient to fund certain maintenance and replacement costs of specified drainage facilities. The maximum special tax B for fiscal year 2018-19 is \$484.38 per unit for residential property, \$484.38 per lot for approved property and \$3,931.97 per acre for undeveloped property, all as set forth in the CFD 2017-2 Rate and Method. The maximum special tax A and the maximum special tax B are subject to annual increases of at least 3.5% each Fiscal Year. The special tax A was first levied for Fiscal Year 2018-19 on 101 of the developed parcels in the District in the total amount of \$28,433.52.

Overlapping General Obligation Indebtedness. Direct and overlapping general obligation indebtedness as of March 4, 2019 is shown in the following Table 5. Neither the District nor the Underwriter has independently verified the information in Table 5 and they make no representation as to its completeness or accuracy.

Table 5
Community Facilities District No. 2017-1
(Weston Infrastructure) of the City of Santee
Direct and Overlapping Debt

I. APPRAISED VALUE
Appraised Value⁽¹⁾ \$210,355,000

II. LAND SECURED BOND INDEBTEDNESS

Outstanding Direct and Overlapping Bonded Debt	Type	Total Parcels Levied	Issued	Outstanding	% Applicable	Amount Applicable
City of Santee CFD No. 2017-1 (Weston Infrastructure)	CFD	350	\$8,855,000 ⁽⁴⁾	\$8,855,000 ^{(2),(4)}	100.000%	\$8,855,000 ⁽⁴⁾
TOTAL OUTSTANDING LAND SECURED BONDED DEBT						\$8,855,000

III. GENERAL OBLIGATION BOND INDEBTEDNESS

Outstanding Direct and Overlapping Bonded Debt	Type	Total Parcels Levied	Originally Issued	Outstanding	% Applicable	Amount Applicable
Grossmont Healthcare District (0.02352%)	GO	350	\$246,997,076	\$237,070,000	0.060029%	\$142,311
Santee School District (0.03473%)	GO	350	44,628,578	51,817,505	0.483020	250,289
Grossmont Union High School District (0.06482%)	GO	350	677,056,678	577,341,377	0.065476	378,020
Grossmont-Cuyamaca Community College (0.04225%)	GO	350	413,000,000	324,470,377	0.063961	207,534
Metropolitan Water District (0.00350%)	GO	350	850,000,000	48,050,000	0.001084	521
TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT						\$978,675

Authorized and Unissued Direct and Overlapping Indebtedness	Type	Total Parcels Levied	Authorized	Unissued	% Applicable	Amount Applicable
Grossmont Healthcare District (0.02352%)	GO	350	\$247,000,000	\$2,925	0.060029%	\$2
Santee School District (0.03473%)	GO	350	60,000,000	15,371,422	0.483020	74,247
Grossmont Union High School District (0.06482%)	GO	350	819,000,000	141,943,322	0.065476	92,939
Grossmont-Cuyamaca Community College (0.04225%)	GO	350	605,000,000	192,000,000	0.063961	122,805
Metropolitan Water District (0.00350%)	GO	350	850,000,000	0	0.001084	0
TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS						\$289,993

TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS ⁽³⁾ \$1,268,668

TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT \$9,833,675⁽⁴⁾

TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS \$10,123,668⁽⁴⁾

IV. Ratios to Appraised Valuation

Outstanding Land Secured Bonded Debt	23.76:1 ⁽⁴⁾
Outstanding Direct and Overlapping Bonded Debt	21.39:1 ⁽⁴⁾

(1) Reflects appraised value from the Appraisal Report with a date of value of March 4, 2019. See "THE DISTRICT—Property Values."

(2) Amount Outstanding is equal to the initial principal amount of the 2019 Bonds.

(3) Additional bonded debt or available bond authorization may exist but is not shown because a tax was not levied for Fiscal Year 2018-19.

(4) Preliminary, subject to change.

Source: Webb Municipal Finance, LLC.

Sample Tax Bills. Set forth below is Table 6 which provides, for an average home of each of the four types being constructed in the District, the expected property tax bill that would be received by an owner of the applicable Taxable Property for fiscal year 2019-20.

Table 6
Community Facilities District No. 2017-1
(Weston Infrastructure) of the City of Santee
Estimated Sample Tax Bill for Residential Property⁽¹⁾

Product		Sandstone	Lake Ridge	Prism	Talus
Average Home Value ⁽²⁾		\$683,704.00	\$812,508.00	\$608,811.00	\$743,793.00
General: Ad Valorem	1.00000%	\$6,837.04	\$8,125.08	\$6,088.11	\$7,437.93
Grossmont Healthcare District	0.02352	160.81	191.10	143.19	174.94
Santee School District	0.03473	237.45	282.18	211.44	258.32
Grossmont Union High School District	0.06482	443.18	526.67	394.63	482.13
Grossmont-Cuyamaca Comm. College	0.04225	288.86	343.28	257.22	314.25
Metropolitan Water District	0.00350	23.93	28.44	21.31	26.03
Subtotal General Obligation		<u>\$7,991.27</u>	<u>\$9,496.75</u>	<u>\$7,115.90</u>	<u>\$8,693.60</u>
Mosquito Surveillance		\$2.28	\$2.28	\$2.28	\$2.28
MWD Water Standby Charge		11.50	11.50	11.50	11.50
Vector Disease Control		1.98	1.98	1.98	1.98
CWA Water Availability		10.00	10.00	10.00	10.00
District Special Tax ⁽³⁾		1,487.90	1,711.60	1,292.03	1,542.46
CFD 2017-2 Special Tax ⁽⁴⁾		291.96	291.96	291.96	291.96
Subtotal Special Assessments & Taxes		<u>\$1,805.62</u>	<u>\$2,029.32</u>	<u>\$1,609.75</u>	<u>\$1,860.18</u>
Total Assessments & Taxes		\$9,796.89	\$11,526.07	\$8,725.66	\$10,553.79
Effective Tax Rate		1.43%	1.42%	1.43%	1.42%

- (1) Projected Fiscal Year 2019-20 Effective Tax Rates based upon Fiscal Year 2018-19 overlapping tax and assessment rates.
- (2) Reflects weighted average appraised value for parcels indicated as complete in the Appraisal Report with a date of value of March 4, 2019.
- (3) Estimated Fiscal Year 2019-20 Special Tax for parcels indicated as complete in the Appraisal Report and is based upon preliminary 2019 Bonds debt service and administrative expenses of \$30,000.
- (4) Estimated Fiscal Year 2019-20 CFD 2017-2 special tax.
- Source: Webb Municipal Finance, LLC.

Other Potential Debt. The District has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the Taxable Property within the District which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the Taxable Property within the District. Furthermore, nothing prevents the owners of Taxable Property within the District from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Law or taxes, such assessments, special taxes and taxes will be secured by liens on the Taxable Property within the District on a parity with the lien of the Special Taxes and the lien of the special taxes to be levied by CFD 2017-2.

Accordingly, the debt on the property within the District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the estimated value-to-lien ratio that exists at the time the 2019 Bonds are issued. The imposition of such additional indebtedness could reduce the willingness and ability of the owners of the Taxable Property within the District to pay the Special Taxes when due. See "SPECIAL RISK FACTORS—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 Taxable Property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See "SPECIAL RISK FACTORS—Property Value."

Projected 2019 Bond Debt Service Coverage

The Maximum Special Tax that can be levied on Taxable Property in the District in any fiscal year is limited by the Rate and Method. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Special Taxes" and "—Summary of Rate and Method." Also, pursuant to Section 53321(d) of the California Government Code, the Special Tax levied against any Assessor's 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 Assessor's parcel within the District by more than ten percent above the amount that would have been levied in the fiscal year had there never been any such delinquencies or defaults. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Summary of Rate and Method.

Table 7 set forth below sets forth information regarding the estimated annual Maximum Special Taxes that can be levied on Taxable Property in the District, and the related projected debt service coverage of the Special Taxes, after deduction of the Administrative Expense Requirement (see "SOURCES OF PAYMENT FOR THE 2019 BONDS—Special Taxes – Authorization; Net Taxes), over the scheduled debt service on the 2019 Bonds. The initial principal amount of the 2019 Bonds has been determined such that Net Special Taxes levied at 100% of the Assigned Special Tax rate are 1.1 times the scheduled debt service on the 2019 Bonds. The actual amount levied for any fiscal year will depend on actual building permits theretofore provided for homes in the District, any necessary replenishment of amounts in the Reserve Fund to the amount of the then Reserve Requirement, interest earnings on amounts in the Reserve Fund and actual delinquencies in payment by property owners of Special Taxes, among other matters. Notwithstanding, in no event may the Special Tax levy on a private residential property be increased from year to year by more than 10% above what would have been levied if there were no Special Tax delinquencies.

Table 7
Community Facilities District No. 2017-1
(Weston Infrastructure) of the City of Santee

Projected 2019 Bond Debt Service Coverage

Year Ending September 1st	Expected Maximum Special Tax Revenues ⁽¹⁾	Administrative Expense Requirement ⁽²⁾	Net Taxes ⁽³⁾	2019 Bonds Net Debt Service ⁽⁴⁾	Debt Service Coverage ⁽⁵⁾
2019	\$713,259	\$30,000	\$683,259	\$0	1.00
2020	713,259	30,000	683,259	534,113	1.10
2021	713,259	30,000	683,259	531,113	1.10
2022	713,259	30,000	683,259	531,613	1.10
2023	713,259	30,000	683,259	530,413	1.10
2024	713,259	30,000	683,259	532,413	1.10
2025	713,259	30,000	683,259	533,913	1.10
2026	713,259	30,000	683,259	529,913	1.10
2027	713,259	30,000	683,259	530,663	1.10
2028	713,259	30,000	683,259	530,913	1.10
2029	713,259	30,000	683,259	530,663	1.10
2030	713,259	30,000	683,259	529,913	1.10
2031	713,259	30,000	683,259	533,663	1.10
2032	713,259	30,000	683,259	531,663	1.10
2033	713,259	30,000	683,259	534,163	1.10
2034	713,259	30,000	683,259	530,913	1.10
2035	713,259	30,000	683,259	532,163	1.10
2036	713,259	30,000	683,259	532,375	1.10
2037	713,259	30,000	683,259	531,875	1.10
2038	713,259	30,000	683,259	531,025	1.10
2039	713,259	30,000	683,259	534,425	1.10
2040	713,259	30,000	683,259	532,281	1.10
2041	713,259	30,000	683,259	530,031	1.10
2042	713,259	30,000	683,259	532,031	1.10
2043	713,259	30,000	683,259	533,031	1.10
2044	713,259	30,000	683,259	533,031	1.10
2045	713,259	30,000	683,259	532,031	1.10
2046	713,259	30,000	683,259	529,981	1.10
2047	713,259	30,000	683,259	532,350	1.10
2048	713,259	30,000	683,259	533,944	1.10
2049	713,259	30,000	683,259	529,763	1.10

(1) The Expected Maximum Special Tax is calculated using the expected maximum Special Tax for Developed Property at buildout based on the types projected to be developed on the 415 lots in the District. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Summary of Rate and Method – Classification of Property; Maximum Special Tax Rates." No assurance can be given that all of the planned homes will be completed as expected. See "SPECIAL RISK FACTORS."

(2) See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Special Taxes – Authorization; Net Taxes."

(3) Expected Maximum Special Tax Revenues, less Administrative Expense Requirement.

(4) Does not include interest due on the 2019 Bonds on September 1, 2019, which is funded with proceeds of the 2019 Bonds. See "PLAN OF FINANCING—Sources and Uses of Funds." Preliminary, subject to change.

(5) Net Taxes as a percentage of 2019 Bonds Net Debt Service; limited, however, by reason of Section 53321(d) of the California Government Code. See "INTRODUCTION—Security for the 2019 Bonds – Limitations" and "SOURCES OF PAYMENT FOR THE 2019 BONDS—Summary of Rate and Method – Annual Special Tax Levy" for a description of such limitation on the ability of the District to increase Special Tax levies by reason of delinquencies in payment of Special Taxes. Preliminary, subject to change.

Source: Stifel, Nicolaus & Company, Incorporated; Webb Municipal Finance, LLC.

SPECIAL RISK FACTORS

The following is a description of certain risk factors affecting the District, the property owners in the District, the parcels subject to the levy of Special Taxes and the payment of and security for the 2019 Bonds. The following discussion of risks is not meant to be a complete list of the risks associated with the purchase of the 2019 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the investment quality of the 2019 Bonds. There can be no assurance that other risk factors will not become material in the future.

No General Obligation of the District or the District

The District's obligations under the 2019 Bonds and under the Fiscal Agent Agreement are limited obligations of the District and are payable solely from and secured solely by the Special Tax Revenues and amounts in the Special Tax Fund, the Debt Service Fund and the Reserve Fund established under the Fiscal Agent Agreement. The 2019 Bonds are neither general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from the revenues and funds pledged therefor and under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City or the State of California or of any of their respective political subdivisions is pledged to the payment of the 2019 Bonds.

Concentration of Ownership

Except for closed sales of homes to individual homeowners, all of the Taxable Property in the District is owned by the Developers. It is expected that approximately 54% of the Fiscal Year 2019-20 Special Tax levy will be apportioned to the 184 parcels of Taxable Property owned by the Developers as of March 4, 2019 (see Table 2 under "THE DISTRICT—Land Ownership"). While the construction and sales of homes in the District are ongoing, the construction and sales of homes are expected to occur over an extended period of time. See "THE DISTRICT—Property Values – Absorption Analysis" and APPENDIX I – "Absorption Analysis." The lack of diversity in ownership of property in the District, and the consequent lack of diversity in the obligation to pay the Special Taxes levied in the District, represents significant risk to the owners of the 2019 Bonds in that the ability of the Developers to pay the Special Taxes levied on property they own may depend, in part, on the successful sales of lots and homes in the District.

Failure of any owner of a significant portion of the Taxable Property in the District to pay the annual Special Taxes when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of the delinquent parcels of land upon a foreclosure or otherwise. In that event, there could be a default in payments of the principal of, and interest on, the 2019 Bonds. See "SPECIAL RISK FACTORS—Insufficiency of Special Tax Revenues."

Failure to Complete the Development

The completion of the development in the District requires that the construction of homes continue. While the construction of necessary infrastructure improvements has been mostly completed (see "THE DISTRICT—The Improvements"), the construction of homes may take several years to complete. Any event that significantly impacts the ability to complete the construction and sale of homes on a timely basis (such as strikes or other work stoppages, loan defaults, adverse weather conditions, catastrophic events such as earthquakes or other natural events, or other similar events) could cause the value of the land within the District to be less than that estimated by the Appraiser and could affect the willingness and ability of the

landowners in the District to pay the Special Taxes when due on the Taxable Property they own in the District.

As described under the headings “THE DISTRICT—Location and Description of the District” and “THE DISTRICT—The Improvements,” the Master Developer is required by the Park Agreement to complete certain park improvements prior to the final inspection of and issuance of a building permit for the last Lake Ridge product home in the District, but not later than September 9, 2022. While the Master Developer has advised that it expects to complete the park improvements by the second quarter of 2020, any unforeseen delay in the completion of the park could result in a delay in the completion and sale of the 415th home in the District.

Payment of the Special Tax is not a Personal Obligation

The owners and users of the parcels in the District are not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation that is secured only by a lien against the Taxable Property on which it is levied. If the value of a Taxable Property is not sufficient to secure fully the payment of the Special Tax levied and to be levied on it, the District has no recourse against the owners of the Taxable Property.

Property Value

If a landowner defaults in the payment of the Special Tax, the only legal remedy is the institution of a superior court action to foreclose on the delinquent Taxable Property in an attempt to obtain funds with which to pay the Special Tax. The value of the Taxable Property in the District could be adversely affected by economic factors beyond the District’s control, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other expenses of owning Taxable Property, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, wildfire, earthquakes and floods), which may result in uninsured losses. See “SPECIAL RISK FACTORS—Natural Disasters.”

No assurance can be given that the Taxable Property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay the delinquent Special Tax installment. Although the Law authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Law does not specify any obligation of the District with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale in any such action if there is no other purchaser at such sale. The District is not obligated and does not expect to be a bidder at any such foreclosure sale. See “SOURCES OF PAYMENT FOR THE 2019 BONDS—Covenant for Superior Court Foreclosure” and “SPECIAL RISK FACTORS—Proceeds of Foreclosure Sales.”

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method. In addition, the Law provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction, or by gift or devise, that is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, the Law 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, for outstanding Bonds only, is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Law have not been tested. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Special Taxes."

In particular, insofar as the Law requires payment of the Special Tax by a federal entity acquiring property within the District, it may be unconstitutional. See "SPECIAL RISK FACTORS—FDIC/Federal Government Interests in Properties." If for any reason Taxable Property within the 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 Special Taxes and Section 53321(d) of the Law, the Special Tax will be reallocated to the remaining Taxable Properties within the District. This would result in the owners of such property paying a greater amount of the Special Taxes and could have an adverse impact upon the timely payment of the Special Taxes. Moreover, if a substantial portion of land within the District becomes exempt from the Special Taxes because of public ownership, or otherwise, the maximum rate that could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2019 Bonds when due and a default would occur with respect to the payment of such principal and interest.

Issuance of Parity Refunding Obligations

The Fiscal Agent Agreement allows for the issuance of Parity Refunding Obligations secured by a pledge of special taxes on a parity with the pledge of the Special Taxes under the Fiscal Agent Agreement, subject to compliance with the applicable requirements of the Fiscal Agent Agreement. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Issuance of Parity Debt Only For Refunding Purposes."

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute liens against the Taxable Property in the District until they are paid. Such lien is on a parity with the lien for the CFD 2017-2 special taxes, as well as all other special taxes and special assessments levied by other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the Taxable Property. The Special Taxes have priority over all existing and future private liens imposed on the property. The Special Taxes and the special taxes levied for CFD 2017-2 have the same lien priority with respect to the Taxable Property. See "THE DISTRICT—Direct and Overlapping Governmental Obligations" for a description of existing overlapping liens on the Taxable Property.

The District has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the Taxable Property within the District. In addition, the landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes or assessments, and any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes. The imposition of additional indebtedness could reduce the willingness and the ability of the property owners within the District to pay the Special Taxes when due.

Insufficiency of Special Taxes

In order to pay debt service on the 2019 Bonds, it is necessary that the Special Taxes levied against taxable parcels within the District be paid in a timely manner. The District has

established the Reserve Fund in an amount equal to the Reserve Requirement to pay debt service on the 2019 Bonds to the extent Special Taxes are not paid on time and other funds are not available. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Reserve Fund" and APPENDIX C — "Summary of Certain Provisions of the Fiscal Agent Agreement." Under the Fiscal Agent Agreement, the District has covenanted to maintain in the Reserve Fund an amount equal to the Reserve Requirement; subject, however, to the limitation that the District may not levy the Special Tax in any fiscal year at a rate in excess of the Maximum Special Taxes rates permitted under the Rate and Method, and the provisions of Section 53321(d) of the Law. Consequently, if a delinquency occurs, the District may be unable to replenish the Reserve Fund to the Reserve Requirement due to the limitation of the Maximum Special Tax rates, and the provisions of Section 53321(d) of the Law. If such defaults were to continue in successive years, the Reserve Fund could be depleted and a default on the 2019 Bonds would occur if proceeds of a foreclosure sale did not yield a sufficient amount to pay the delinquent Special Taxes.

The District has made certain covenants regarding the institution of foreclosure proceedings with respect to Taxable Property with delinquent Special Taxes in order to obtain funds to pay debt service on the 2019 Bonds. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Covenant for Superior Court Foreclosure." If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest.

Potential Early Redemption of 2019 Bonds from Special Tax Prepayments

Property owners within the District are permitted to prepay their Special Tax liability, in whole or in part, at any time. Such payments will result in a mandatory redemption of 2019 Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of any such Special Tax prepayment. Any resulting redemption of 2019 Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such 2019 Bonds. See "THE 2019 BONDS—Redemption – Extraordinary Redemption from Special Tax Prepayments."

Tax Delinquencies

Under provisions of the Law, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2019 Bonds are derived, are being billed to the owners of the Taxable Property in the District on the regular ad valorem property tax bills sent to owners of the parcels. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular ad valorem property tax installments. Special Tax installment payments cannot be made separately from ad valorem property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular ad valorem property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Reserve Fund" and "-Covenant for Superior Court Foreclosure" for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments.

Bankruptcy Delays

The payment of the Special Tax and the ability of the District to commence a superior court action to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SOURCES OF PAYMENT FOR THE 2019 BONDS—Covenant for Superior Court Foreclosure," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the

laws of the State of California relating to judicial foreclosure. The legal opinions to be delivered concurrently with the delivery of the 2019 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2019 Bonds.

Proceeds of Foreclosure Sales

Pursuant to the Law, in the event of any delinquency in the payment of any Special Tax, the City Council, as the legislative body of the District, may order that the Special Taxes be collected by a superior court foreclosure action within specified time limits. The District has covenanted in the Fiscal Agent Agreement that it will, under certain circumstances, commence such a foreclosure action. See "SOURCES OF PAYMENT FOR THE 2019 BONDS—Covenant for Superior Court Foreclosure."

No assurances can be given that a taxable parcel in the District that would be subject to a judicial foreclosure sale for delinquent Special Taxes will be sold or, if sold, that the proceeds of such sale will be sufficient to pay the delinquent Special Tax installment. Although the Law authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Law does not specify any obligation of the District with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale in any such action if there is no other purchaser at such sale and the District has not in any way agreed nor does it expect to be such a bidder.

In a foreclosure proceeding, a judgment debtor (i.e., the property owner) has 140 days from the date of service of the notice of levy in which to redeem the property to be sold and may have other redemption rights afforded by law. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale if the purchaser at the sale was the judgment creditor. If a foreclosure sale is thereby set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made.

If foreclosure proceedings were ever instituted, any holder of a mortgage or deed of trust on the affected property could, but would not be required to, advance the amount of the delinquent Special Tax installment to protect its security interest.

In the event such superior court foreclosure or foreclosures are necessary, there could be a delay in principal and interest payments to the owners of the 2019 Bonds pending prosecution of the foreclosure proceedings and receipt by the District of the proceeds of the foreclosure sale, if any. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions and other factors beyond the control of the District, including delay due to crowded local court calendars or legal tactics and, in any event could take several years to complete. In particular, bankruptcy proceedings involving the Landowner or any other owner of a taxable parcel in the District could cause a delay, reduction

or elimination in the flow of Special Tax Revenues to the Fiscal Agent. See "SPECIAL RISK FACTORS—Bankruptcy Delays."

Natural Disasters

The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Property and the continued habitability and enjoyment of such private improvements. Such occurrences include, without limitation, earthquakes, floods and wildfires.

California is subject to a wide range of earthquake activity. California has many known faults as well as yet undiscovered faults. A major earthquake could cause very serious damage to homes located even many miles from the epicenter of the earthquake. A more moderate earthquake occurring on a more minor fault, or on an as yet undiscovered fault, could also cause substantial damage. The Appraiser notes in the Appraisal Report that the City is not located within a State of California Earthquake Fault Zone (formerly known as an Alquist-Priolo Special Studies Zone). The nearest active fault zone is located about 13 to 14 miles to the southwest.

Federal Emergency Management Agency ("FEMA") has determined that the property in the District is in a FEMA Zone X, which is subject to between a two tenths percent (0.2%) and a one percent (1%) annual chance of flooding in a "100-year" rainstorm. FEMA does not require flood insurance for residential dwellings on property in Zone X.

Areas in the County have experienced significant wildfires in recent years. The District is adjacent to a large area of open space, some of which is included in a Fire Hazard Severity Zone Map produced by the County (see the website at www.readysandiego.org/wildfire-hazard-map/). The County advises on the webpage that Fire Hazard Severity Zone maps evaluate "hazard," not "risk." They are like flood zone maps. "Hazard" is based on the physical conditions that create a likelihood that an area will burn over a 30 to 50-year period, without considering modifications such as fuel reduction efforts, which are temporary and cannot be expected to persist over time. "Risk" is the potential damage a fire can do to the area under existing conditions, including any modifications such as defensible space, irrigation and sprinklers, and ignition resistant building construction.

The County advises that being in a hazard zone does not always mean high risk; mitigation activities may have been completed that reduce risk (for instance, elevation of a home in a flood zone). Not being within a regulatory hazard zone does not guarantee safety (unmapped or undiscovered faults are an example). In addition, not all areas of the State have been mapped for all hazards, so the hazard level may not be known in some cases. Moreover, the County states that it does not guarantee the accuracy of the Wildfire Hazard Map. The County's website is not included in this Official Statement and neither the District nor the Underwriter have any responsibility for the material on the website.

In order to mitigate the risks from fire hazards, the Developers have created a Brush Management Plan in connection with the Weston development. The Brush Management Plan establishes two zones to reduce the potential of wildfires from reaching the Weston development. The Developers have also established a Fire Protection Plan that includes fire protection with respect to finished landscaping and required fire protection water supplies. No assurance can be given with respect to the efficacy of such mitigation measures.

In addition to possible earthquakes, flooding and wildfires, other natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Taxable Property may well depreciate or disappear.

Endangered Species

A portion of the open space in the District includes a vernal pool restoration and enhancement lot for the endangered San Diego Fairy Shrimp. The Master Developer is required to establish new vernal pools with a minimum of 1,260 square feet over a seven-year monitoring period. The Master Developer is currently in year two of restoration and enhancement. Mitigation and Monitoring Requirements are further identified in the project Army Corp of Engineers 404 permit and State Regional Water Quality Control Board 401-permits issued for property in the District for mitigation purposes. The Master Developer has advised that it is in compliance with these permits and there are no conditions that would preclude the issuance of building permits for the undeveloped lots in the District.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Disclosure to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax, even if the value of the property is sufficient to justify payment, 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, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The District has caused a notice of the Special Tax lien to be recorded in the Office of the Recorder for the County against the Taxable Property in the District. Although 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 when purchasing a Taxable Property within the District or lending money thereon, as applicable.

California Civil Code Section 1102.6b requires that, in the case of transfers, 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.

FDIC/Federal Government Interests in Properties

General. The ability of the District 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 agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. 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, anything in the Constitution or Laws of any State to the contrary notwithstanding.” This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District 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 Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the 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* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“**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.

The District has 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 District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2019 Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District 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 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 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 it purports to secure the payment of any such amounts. Special taxes imposed under the Law 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 has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The District is 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 the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be extinguished 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 2019 Bonds.

The District has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2019 Bonds are outstanding.

No Acceleration Provision

The 2019 Bonds and the Fiscal Agent Agreement do not contain a provision allowing for the acceleration of the 2019 Bonds in the event of a payment default or other default under the terms of the 2019 Bonds or the Fiscal Agent Agreement or in the event interest on the 2019 Bonds becomes included in gross income for federal income tax purposes.

Taxability Risk

As discussed herein under the caption "TAX MATTERS," interest on the 2019 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2019 Bonds were issued, as a result of future acts or omissions of the District in violation of its covenants in the Fiscal Agent Agreement. There is no provision in the 2019 Bonds or the Fiscal Agent Agreement for special redemption or acceleration or for the payment of additional interest should such an event of taxability occur, and the 2019 Bonds will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Fiscal Agent Agreement.

In addition, as discussed under the caption "TAX MATTERS," Congress is or may be considering in the future legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the 2019 Bonds. Prospective purchasers of the 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The District can provide no assurance that federal tax law will not change while the 2019 Bonds are outstanding or that any such changes will not adversely affect the exclusion of interest on the 2019 Bonds from gross income for federal income tax purposes. If the exclusion of interest on the 2019 Bonds from gross income for federal income tax purposes were amended or eliminated, it is likely that the market price for the 2019 Bonds would be adversely impacted.

Enforceability of Remedies

The remedies available to the Fiscal Agent and the registered owners of the 2019 Bonds upon the occurrence of an Event of Default under the Fiscal Agent Agreement or upon a default of any other document described in this Official Statement are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. Any legal opinions to be delivered concurrently with the issuance of the 2019 Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the 2019 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Judicial remedies, such as foreclosure and enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it concludes that application or enforcement would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

No Secondary Market

No representation is made concerning any secondary market for the 2019 Bonds. There can be no assurance that any secondary market will develop for the 2019 Bonds. Investors should understand the long-term and economic aspects of an investment in the 2019 Bonds and should assume that they will have to bear the economic risks of their investment to maturity. An investment in the 2019 Bonds may be unsuitable for any investor not able to hold the 2019 Bonds to maturity.

Proposition 218

An initiative measure entitled the "Right to Vote on Taxes Act" (the "**Initiative**") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Provisions of the Initiative have been and will continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes otherwise available to the District to pay the principal of and interest on the 2019 Bonds as described below.

Among other things, Section 3 of Article XIII C states, "...the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The 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 Law 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 Law 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, the Governor of the State signed a bill into law enacting Government Code Section 5854, which states that:

Section 3 of Article XIIC 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 Article XIIC has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the 2019 Bonds.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner that does not interfere with the timely repayment of the 2019 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 2019 Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses (as defined in the Fiscal Agent Agreement). Nevertheless, the District has determined it to be necessary in order to preserve the security for the 2019 Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District has covenanted in the Fiscal Agent Agreement, that it shall not initiate proceedings to reduce the Maximum Special Tax rates (as set forth in the Rate and Method), unless, in connection therewith, (i) the District receives a certificate from one or more Special Tax Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Rate and Method) of taxable property on which a completed structure is located in each Fiscal Year will equal at least 110% of the largest sum of the Annual Debt Service on the 2019 Bonds to remain Outstanding and the Debt Service on Parity Refunding Obligations outstanding ("Maximum Debt Service") after the reduction is approved and will not reduce the Maximum Special Tax payable from parcels on which a completed structure is located or to be located at buildout of the District as proposed to less than 110% of the Maximum Debt Service, and (ii) the Legislative Body finds pursuant to the Fiscal Agent Agreement that any reduction made under such conditions will not adversely affect the interests of the Owners of the 2019 Bonds. Any reduction in the Maximum Special Tax approved pursuant to the preceding sentence may be approved without the consent of the Owners the 2019 Bonds.

The District has covenanted in the Fiscal Agent Agreement that, in the event that any initiative is adopted by the qualified electors of the District which purports to reduce the Maximum Special Tax below the levels authorized pursuant to the Rate and Method or to limit the power or authority of the District to levy Special Taxes pursuant to the Rate and Method, the District shall, from funds in the Administrative Expense Fund or otherwise available under the Fiscal Agent Agreement, commence and pursue legal action in order to preserve the

authority and power of the District to levy Special Taxes pursuant to the Rate and Method. However, no assurance can be given as to the enforceability of the foregoing covenant.

The interpretation and application of Article XIII C and Article 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 this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "SPECIAL RISK FACTORS—Enforceability of Remedies."

Ballot Initiatives

Articles XIII C and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process, and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995 in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the District, or local districts to increase revenues or to increase appropriations.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2019 Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the 2019 Bonds might be affected as a result of such an audit of the 2019 Bonds (or by an audit of similar bonds).

TAX MATTERS

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2019 Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2019 Bonds is exempt from State of California personal-income tax.

Bond Counsel notes that interest on the 2019 Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax. Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the 2019 Bonds is based upon certain representations of fact and certifications made by the District, the Underwriter and others and is subject to the condition that the District complies with all requirements of the Code and the regulations adopted pursuant to the Code (the "Treasury Regulations") that must be satisfied subsequent to the issuance of the 2019 Bonds to assure that interest on the 2019 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code and the Treasury Regulations might cause interest on the 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2019 Bonds. The District will covenant in the Fiscal Agent Agreement and the Tax Certificate to be delivered in connection with the issuance of the 2019 Bonds to comply with all such requirements.

Should the interest on the 2019 Bonds become includable in gross income for federal income tax purposes, the 2019 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 Fiscal Agent Agreement.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2019 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. For example, legislative proposals are announced from time to time which generally would limit the exclusion from gross income of interest on obligations like the 2019 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 2019 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 2019 Bonds. Prospective purchasers of the 2019 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 2019 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.

Although Bond Counsel will render an opinion that interest on the 2019 Bonds is excluded from gross income for federal income tax purposes provided the District continues to comply with certain requirements of the Code, the accrual or receipt of interest on the 2019 Bonds may otherwise affect the tax liability of the recipient. 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 such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the 2019 Bonds.

A copy of the proposed form of Bond Counsel opinion is attached hereto as APPENDIX D.

SUBSEQUENT TO THE ISSUANCE OF THE 2019 BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2019 BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2019 BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2019 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2019 BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2019 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR

REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2019 BONDS.

LEGAL MATTERS

Concurrent with the issuance of the 2019 Bonds, Best Best & Krieger LLP, San Diego, California, Bond Counsel, will render its opinion substantially in the form set forth in Appendix D to this Official Statement. Quint & Thimmig LLP, Larkspur, California, is acting as Disclosure Counsel to the District with respect to the 2019 Bonds. Certain legal matters will be passed upon for the District by Best Best & Krieger, LLP, in its capacity as City Attorney. Certain legal matters related to the 2019 Bonds will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent on the issuance of the 2019 Bonds.

MUNICIPAL ADVISOR

The District has retained KNN Public Finance, LLC, Oakland, California, as Municipal Advisor in connection with the issuance of the 2019 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Compensation paid to the Municipal Advisor is contingent upon the successful issuance of the 2019 Bonds.

NO RATING

The District has not made, and does not intend to make, any application to any rating agency for the assignment of a rating to the 2019 Bonds.

NO LITIGATION

The District is not aware of any pending or threatened litigation challenging the validity of the 2019 Bonds, the Special Taxes securing the 2019 Bonds, or any action taken by the District in connection with the formation of the District, the Rate and Method, the levying of the Special Taxes or the issuance of the 2019 Bonds.

UNDERWRITING

The 2019 Bonds are being purchased through negotiation by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Bond Purchase Agreement for the 2019 Bonds provides that the Underwriter will purchase all of the 2019 Bonds, if any are purchased. The Underwriter agreed to purchase the Series 2019 Bonds at a price of \$_____ (which is equal to the par amount of the Series 2019 Bonds, plus (less) a net original issue premium (discount) of \$_____, and less an underwriter's discount of \$_____). The initial public offering prices of the 2019 Bonds set forth on the inside cover page may be changed by

the Underwriter. The Underwriter may offer and sell the 2019 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof.

CONTINUING DISCLOSURE

The District, and the Master Developer (on behalf of the Developers), each have agreed for the benefit of the Owners of the 2019 Bonds, in separate Continuing Disclosure Agreements, to provide annually certain financial information and operating data, and to provide notices of the occurrence of certain enumerated events. In addition, the Master Developer has agreed to provide mid-year reports with certain limited information. See APPENDIX E – “Form of Continuing Disclosure Agreement of the District” and APPENDIX F – “Form of Continuing Disclosure Agreement – Developer.”

The covenants of the District in the Continuing Disclosure Agreement to which it is a party have been made by the District in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). While the Underwriter has advised the District that it does not consider either of the Developers to be an “obligated person” with respect to the 2019 Bonds for purposes of the Rule, and thereby not required by the Rule to provide ongoing information related to their activities with respect to the property they own in the District, the Master Developer’s continuing disclosure obligations have been incurred to assist the Underwriter in the marketing and the sale of the 2019 Bonds.

A failure by the District or the Master Developer to comply with its respective continuing disclosure obligations will not constitute an Event of Default under the Fiscal Agent Agreement. However, the Continuing Disclosure Agreements provide that, in the event of a failure of the District or the Master Developer to comply with any provision of their respective Continuing Disclosure Agreement, any 2019 Bond owner, any Beneficial Owner or the Underwriter may seek specific performance by court order to cause it to comply with its obligations under its respective Continuing Disclosure Agreement.

The Master Developer’s obligation to provide continuing annual, mid-year and significant event disclosure will terminate if and when the Developers have conveyed more than 332 homes in the District to homebuyers.

During the last five fiscal years, the District has advised that it, the City and the Successor Agency to the Community Development Commission of the City of Santee (the “Successor Agency”) have complied in all material respects with their respective obligations under continuing disclosure agreements to which they are a party, except for the late filing by the Successor Agency of the notification of a rating change in 2014. The District has no prior continuing disclosure obligations.

The Master Developer has advised that during the last five fiscal years, the Developers have complied in all material respects with their continuing disclosure undertakings with respect to community facilities districts in California.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are

intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City or the District and the purchasers or Owners of any of the 2019 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the City Council, acting as the legislative body of the District.

COMMUNITY FACILITIES DISTRICT NO.
2017-1 (WESTON INFRASTRUCTURE) OF
THE CITY OF SANTEE

By: _____

Its: _____

19141.01:J16013

APPENDIX A

CITY AND COUNTY GENERAL DEMOGRAPHIC INFORMATION

The information in this section of the Official Statement is presented as general background data. The 2019 Bonds are payable solely from the Net Taxes and amounts held in certain funds under the Fiscal Agent Agreement, as described in the Official Statement.

Although reasonable efforts have been made to include up-to-date information in this Appendix A, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.

Introduction

The City of Santee (the "City") is a suburban city of San Diego in San Diego County (the "County"), California. Although it is a part of the East County region, Santee is located just 18 miles (29 km) from the Pacific Ocean. The City is connected to the coastline by State Route 52, a four to six-lane freeway that runs from Interstate 5 in La Jolla to State Route 67 in El Cajon. The city is bisected by the San Diego River, a linear greenbelt that includes parks, trails and more than 1,100 acres (450 ha) of natural riparian habitat.

Unlike most of the County's coastal cities, Santee still has sizable portions of vacant land suitable for development. It is a growing suburban community that in recent years has added upscale housing, a major corporate business park and expansive shopping centers, along with a destination recreational complex called Sportsplex USA Santee. Prominently overlooking the western side of Santee is Cowles Mountain. This natural landmark, which is the highest point in the city of San Diego, offers sweeping views of the county and is a popular hiking destination.

San Diego County is located in the southwestern corner of the state of California, in the United States. The County is the second-most populous county in California and the fifth-most populous in the United States. Its county seat is the City of San Diego, the eighth-most populous city in the United States. It is the south-westernmost county in the 48 contiguous United States. The County is part of the San Diego-Tijuana metropolitan area, the largest metropolitan area shared between the United States and Mexico.

The County has 70 miles (110 km) of coastline. From north to south, the County extends from the southern borders of Orange County and Riverside County to the Mexico-United States border and Baja California. From west to east, the County stretches from the Pacific Ocean to its boundary with Imperial County. Most of the County has a mild Mediterranean climate to semiarid climate, though there are mountains that receive frost and snow in the wintertime.

There are also 16 naval and military installations of the U.S. Navy, U.S. Marine Corps, and the U.S. Coast Guard in the County. These include the Naval Base San Diego, Marine Corps Base Camp Pendleton, Marine Corps Air Station Miramar, and Naval Air Station North Island.

Population

The table below summarizes population of the City, the County, and the State of California (the "State") for the last five years.

CITY OF SANTEE, SAN DIEGO COUNTY and CALIFORNIA Population

Year	City of Santee	San Diego County	State of California
2014	55,987	3,230,269	38,568,628
2015	56,104	3,264,449	38,912,464
2016	56,014	3,284,477	39,179,627
2017	56,434	3,309,509	39,500,973
2018	56,994	3,337,456	39,809,693

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2010-2018, with 2010 Census Benchmark.

Employment

The following table summarizes historical employment and unemployment for the County, the State and the United States:

SAN DIEGO COUNTY, CALIFORNIA, and UNITED STATES Civilian Labor Force, Employment, and Unemployment (Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2013	San Diego County	1,590,000	1,470,000	120,000	7.5%
	California	18,671,600	17,002,900	1,668,700	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4
2014	San Diego County	1,544,600	1,445,400	99,200	6.4
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015	San Diego County	1,563,800	1,482,500	81,300	5.2
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	San Diego County	1,570,400	1,497,000	73,500	4.7
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9
2017 ⁽²⁾	San Diego County	1,585,000	1,521,500	63,500	4.0
	California	19,312,000	18,393,100	918,900	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-2017, and US Department of Labor.

(1) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures available in this table.

(2) Latest available full-year data.

Major Employers

The following table lists the top 10 employers within the County as of June 30, 2018.

SAN DIEGO COUNTY Top 10 Employers as of June 30, 2018

Employer	Employees	% of Total County Employment
University of California, San Diego	34,448	2.26%
Naval Base San Diego	34,185	2.24
Sharp Healthcare	18,364	1.20
County of San Diego	17,413	1.14
Scripps Health	14,941	0.98
San Diego Unified School District	13,815	0.91
Qualcomm Inc.	11,800	0.77
City of San Diego	11,462	0.75
Kaiser Permanente	9,606	0.63
UC San Diego Health	8,932	0.59
Total Top 10	174,966	11.47

Source: San Diego County 2017-18 CAFR.

Construction Activity

The following table reflects the five-year history of building permit valuation for the City and the County:

CITY OF SANTEE Building Permits and Valuation (Dollars in Thousands)

	2013	2014	2015	2016	2017
<u>Permit Valuation:</u>					
New Single-family	\$11,423	\$ 1,428	\$ 3,975	\$ 9,321	\$21,615
New Multi-family	10,157	18,534	-	-	-
Res. Alterations/Additions	1,970	3,490	2,971	2,412	3,563
Total Residential	<u>23,550</u>	<u>23,453</u>	<u>6,946</u>	<u>11,733</u>	<u>25,179</u>
Total Nonresidential	31,326	3,097	5,998	10,404	7,832
Total All Building	<u>\$54,877</u>	<u>\$26,551</u>	<u>\$12,944</u>	<u>\$22,137</u>	<u>\$33,012</u>
<u>New Dwelling Units:</u>					
Single Family	31	4	16	80	154
Multiple Family	102	172	-	-	-
Total	<u>133</u>	<u>176</u>	<u>16</u>	<u>80</u>	<u>154</u>

SAN DIEGO COUNTY Building Permits and Valuation (Dollars in Thousands)

	2013	2014	2015	2016	2017
<u>Permit Valuation:</u>					
New Single-family	\$ 936,634	\$ 860,232	\$1,069,272	\$ 833,134	\$1,378,079
New Multi-family	878,179	611,730	1,028,733	1,256,903	912,036
Res. Alterations/Additions	245,435	346,889	349,035	382,198	342,706
Total Residential	<u>2,060,249</u>	<u>1,818,853</u>	<u>2,447,041</u>	<u>2,472,236</u>	<u>2,632,825</u>
Total Nonresidential	3,485,675	1,920,627	1,862,502	1,782,420	2,371,302
Total All Building	<u>\$5,545,924</u>	<u>\$3,739,480</u>	<u>\$4,309,543</u>	<u>\$4,254,657</u>	<u>\$5,004,128</u>
<u>New Dwelling Units:</u>					
Single Family	2,539	2,276	3,136	2,420	3,960
Multiple Family	5,803	4,327	6,869	7,680	6,056
Total	<u>8,342</u>	<u>6,603</u>	<u>10,005</u>	<u>10,100</u>	<u>10,016</u>

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

Median Household Income

The following table summarizes the total effective buying income and the median household effective buying income for Santee, the County, the State and the nation for the past five years.

SANTEE, SAN DIEGO COUNTY, STATE OF CALIFORNIA AND UNITED STATES Median Household Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2014	Santee	\$ 1,388,895	\$ 58,831
	San Diego County	76,880,343	51,447
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	Santee	1,558,015	63,821
	San Diego County	84,949,559	55,146
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	Santee	1,631,227	66,862
	San Diego County	91,727,879	58,408
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	Santee	1,664,498	69,546
	San Diego County	96,442,532	61,649
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2018	Santee	1,745,128	72,778
	San Diego County	102,896,146	65,279
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: Nielsen, Inc.

APPENDIX B

RATE AND METHOD

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2017-1 (WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE

The following sets forth the Rate and Method of Apportionment for the levy and collection of an Annual Special Tax of the Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee ("CFD No. 2017-1"). An Annual Special Tax shall be levied on and collected in CFD No. 2017-1 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property within CFD No. 2017-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on the Assessor's Parcel Map, the land area as shown on the applicable Final Map, or if the land area is not shown on the applicable Final Map, the land area as calculated by the CFD Administrator or City engineer.

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

"Administrative Expenses" means the actual or reasonably estimated costs directly related to the administration of CFD No. 2017-1, including but not limited to the following: (i) the costs of calculating the Special Tax and of preparing the annual Special Tax collection schedules (whether by the CFD Administrator or designee thereof, or both); (ii) the costs of collecting the Special Tax (whether by the County, City, or otherwise); (iii) the costs of remitting the Special Tax to the fiscal agent or trustee for any Bonds; (iv) the costs of commencing and pursuing to completion any foreclosure action arising from delinquent Special Taxes; (v) the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of the duties required of it under any Indenture; (vi) the costs of the City or designee of complying with arbitrage rebate, mandated reporting and disclosure requirements of applicable federal and State of California laws related to Bonds, CFD No. 2017-1 or the levy of the Special Taxes, and responding to property owner or Bond owner inquiries regarding the Special Tax; (vii) the costs associated with the release of funds from any escrow account; (viii) the costs of the City or designee related to any appeal of a Special Tax; and (ix) an allocable share of the salaries of the City staff and City overhead expense directly relating to the foregoing. Administrative Expenses shall also include amounts advanced by the City for any administrative purposes of CFD No. 2017-1.

"Alternative Special Tax Rate" means with respect to Assessor's Parcels of Developed Property classified as Residential Property the amount of \$1,683 per Unit or an amount determined pursuant to Section E, if applicable.

“Annual Special Tax” means for each Assessor’s Parcel of Taxable Property, the Special Tax actually levied in a given Fiscal Year on such Assessor’s Parcel.

“Approved Property” means all Assessor’s Parcels of Taxable Property other than Provisional Exempt Property: (i) that are included in a Final Map that was recorded prior to the January 1st immediately preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a Building Permit on or before the May 1st immediately preceding the Fiscal Year in which the Special Tax is being levied.

“Assessor” means the County Assessor.

“Assessor’s Parcel” means a lot or parcel of land designated on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number within the boundaries of CFD No. 2017-1.

“Assessor’s Parcel Map” means an official map of the Assessor designating parcels by Assessor’s Parcel Number.

“Assessor’s Parcel Number” means that number assigned to a lot or parcel of land by the Assessor for purposes of identification.

“Assigned Annual Special Tax” means the Special Tax as described in Section D below.

“Bonds” means any bonds or other indebtedness (as defined in the Act), whether in one or more series, the repayment of which is secured by the levy of Special Taxes on Taxable Property within CFD No. 2017-1.

“Boundary Map” means a recorded map of the CFD No. 2017-1 which indicates the boundaries of CFD No. 2017-1.

“Building Permit” means the first legal document issued by the city of San Diego granting official permission for new construction. For purposes of this definition and prior to the issuance of Bonds, “Building Permit” shall also include any subsequent legal document issued by the city of San Diego or the City that revises the Building Square Footage reflected in the application for any prior Building Permit, as verified by the CFD Administrator.

“Building Square Footage” or “BSF” means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit for such Assessor’s Parcel and subject to verification by the CFD Administrator.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“CFD No. 2017-1” or “CFD” means Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee established by the City under the Law.

“CFD Administrator” means the Finance Director of the City, or designee thereof, responsible for, among other things, determining the Special Tax Requirement and providing for the levy and collection of said Special Tax.

“City” means the City of Santee, California.

"City Council" means the City Council of the City of Santee, acting as the legislative body of CFD No. 2017-1.

"County" means the County of San Diego.

"Developed Property" means all Assessor's Parcels of Taxable Property that: (i) are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which Special Taxes are being levied, and (ii) for which a Building Permit was issued on or before May 1st preceding the Fiscal Year in which Special Taxes are being levied.

"Exempt Property" means all Assessor's Parcels designated as being exempt from the Special Tax provided for in Section I.

"Final Map" means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 4285 that creates individual lots that do not need, and are not expected, to be further subdivided prior to the issue of a Building Permit.

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

"Indenture" means the bond indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Type" means Residential Property, Multifamily Residential Property, or Non-Residential Property.

"Maximum Special Tax" means for each Assessor's Parcel of Taxable Property, the maximum Special Tax, determined in accordance with Section C that can be levied in any Fiscal Year on such Assessor's Parcel.

"Multifamily Residential Property" means all Assessor's Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing a building or buildings comprised of attached units available for rental by the general public, not for sale to an end user, and under common management, as determined by the CFD Administrator.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a Building Permit was issued for any type of non-residential use.

"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.

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

"Proportionately" means for the Special Tax that the ratio of the 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 the apportionment of the Annual Special Tax under Step Four of Section F, "Proportionately" means that the quotient of (a) Annual Special Tax less the Assigned Annual Special Tax divided by (b) the Alternative Special Tax Rate less the Assigned Annual Special Tax, is equal for all applicable Assessor's Parcels.

“Provisional Exempt Property” means all Assessor’s Parcels of Taxable Property that would otherwise be classified as Exempt Property pursuant to the provisions of Section I, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property within the CFD below the required minimum Acreage set forth in Section I.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for purposes of constructing one or more residential dwelling units, which are not Multifamily Residential Property.

“Special Tax(es)” means any of the Special Taxes authorized to be levied on Taxable Property within and by CFD No. 2017-1 pursuant to the Law to fund the Special Tax Requirement.

“Special Tax Requirement” means, subject to the Maximum Special Tax, the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) the collection or accumulation of funds for the acquisition or construction of facilities or payment of fees authorized by CFD No. 2017-1 by the levy on Developed Property of the Assigned Annual Special Tax provided that the inclusion of such amount does not cause an increase in the levy of Special Taxes on Approved Property, Undeveloped Property, or Provisional Exempt Property as set forth in Steps Two, Three, Four, and Five of Section F, and (vi) pay reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year, less (vii) any amount available to pay debt service or other periodic costs on the Bonds pursuant to the Indenture.

“Taxable Property” means all Assessor’s Parcels within CFD No. 2017-1, which are not Exempt Property.

“Undeveloped Property” means all Assessor’s Parcels of Taxable Property which are not Developed Property, Approved Property or Provisional Exempt Property.

“Unit” means any residential dwelling structure.

SECTION B CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2018-19, each Assessor’s Parcel within CFD No. 2017-1 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property, or Provisional Exempt Property. In addition, each Assessor’s Parcel of Developed Property shall further be classified as Residential Property, Multifamily Residential Property or Non-Residential Property. Assessor’s Parcels of Residential Property shall be further categorized based on the Building Square Footage of each such Assessor’s Parcel.

SECTION C MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Assessor’s Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property in any Fiscal Year shall be

the greater of (i) the Assigned Annual Special Tax or (ii) the Alternative Special Tax Rate.

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

The Maximum Special Tax for each Assessor's Parcel classified as Approved Property, Undeveloped Property, or Provisional Exempt Property in any Fiscal Year shall be the Assigned Annual Special Tax.

**SECTION D
ASSIGNED ANNUAL SPECIAL TAX**

1. **Developed Property**

Each Fiscal Year, each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property shall be subject to an Assigned Annual Special Tax.

The Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property shall be determined by Table 1 below.

TABLE 1
ASSIGNED ANNUAL SPECIAL TAX RATES
FOR DEVELOPED PROPERTY

Land Use Type	Building Square Footage	Rate
Residential Property	Less than 1,851 sq. ft.	\$1,230 per Unit
Residential Property	1,851 sq. ft. – 2,150 sq. ft.	\$1,325 per Unit
Residential Property	2,151 sq. ft. – 2,450 sq. ft.	\$1,420 per Unit
Residential Property	2,451 sq. ft. – 2,750 sq. ft.	\$1,515 per Unit
Residential Property	2,751 sq. ft. – 3,050 sq. ft.	\$1,610 per Unit
Residential Property	3,051 sq. ft. – 3,350 sq. ft.	\$1,705 per Unit
Residential Property	3,351 sq. ft. – 3,650 sq. ft.	\$1,800 per Unit
Residential Property	Greater than 3,650 sq. ft.	\$1,895 per Unit
Multifamily Residential Property	N/A	\$12,292 per Acre
Non-Residential Property	N/A	\$12,292 per Acre

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

Each Fiscal Year, each Assessor's Parcel of Approved Property, Undeveloped Property and Provisional Exempt Property shall be subject to an Assigned Annual Special Tax. The Assigned Annual Special Tax rate for an Assessor's Parcel classified as Approved Property, Undeveloped Property, or Provisional Exempt Property shall be determined pursuant to Table 2 below:

TABLE 2
ASSIGNED ANNUAL SPECIAL TAX RATE
FOR APPROVED PROPERTY, UNDEVELOPED PROPERTY,
AND PROVISIONAL EXEMPT PROPERTY

Rate per Acre
\$12,292 per Acre

**SECTION E
CHANGES TO MAPS**

The Alternative Special Tax Rate has been established based on the land use configurations shown on the subdivision map for Map No. 16155 and Map No. 16161. In the event any portion of Map No. 16155 and Map No. 16161 are modified by the County or the City, the Alternative Special Tax Rate for all Assessor's Parcels of Developed Property in the modified portion of such map which are classified as Residential Property shall be determined by (i) multiplying the total square footage of such Assessor's Parcel or Assessor's Parcels by \$0.2822 per square foot, and (ii) by dividing the product thus obtained by the number of Units in the modified portion thereof.

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

Commencing Fiscal Year 2018-19 and for each subsequent Fiscal Year, the City Council shall levy Annual Special Taxes in accordance with the following steps:

- Step One: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Annual Special Tax rates in Table 1 to satisfy the Special Tax Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the applicable Assigned Annual Special Tax to satisfy the Special Tax Requirement.
- Step Three: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax for Undeveloped Property 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 first three steps have been completed, the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is the Alternative Special Tax Rate shall be increased Proportionately from the Assigned Annual Special Tax up to 100% of the Alternative Special Tax Rate as needed to satisfy the Special Tax Requirement.
- Step Five: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Exempt 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.

Notwithstanding the above, under no circumstances will the Special Taxes levied in any Fiscal Year against any Assessor's Parcel of Residential Property as a result of a delinquency in the payment of the Special Tax applicable to any other Assessor's Parcel be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.

SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAX

The following definitions apply to this Section G:

“CFD Public Facilities Amount” means \$8,000,000 expressed in 2017 dollars, which shall increase by the Construction Inflation Index on July 1, 2018, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities under the authorized bonding program, or (ii) shall be determined by the City Council concurrently with a covenant that the CFD will not issue additional new money Bonds.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of San Diego, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of San Diego.

“Future Facilities Costs” means the CFD Public Facilities Amount minus (i) Bond proceeds deposited in Improvement Funds and accounts and (ii) other amounts (Special Tax, interest earnings, etc.) allocated to Improvement Funds and accounts that were available to fund such CFD Public Facilities Amount prior to the date of prepayment.

“Improvement Fund” means, collectively, an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Law and any account established prior to the issuance of Bonds for such purpose.

“Outstanding Bonds” means all previously issued Bonds, which will remain outstanding after the payment of principal from the amount of Special Tax that have been levied, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Tax.

Prepayment in Full

The Maximum Special Tax obligation may be prepaid and permanently satisfied for (i) Assessor’s Parcels of Developed Property, (ii) Assessor’s Parcels of Approved Property or Undeveloped Property for which a Building Permit has been issued, (iii) Approved or Undeveloped Property for which a Building Permit has not been issued, and (iv) Assessor’s Parcels of Provisional Exempt Property that are not Exempt Property pursuant to Section I. The Maximum Special Tax obligation applicable to an Assessor’s Parcel may be fully prepaid and the obligation to pay the Special Tax for such Assessor’s Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Maximum Special Tax obligation for such Assessor’s Parcel shall provide the CFD Administrator with written notice of intent to prepay, and within 10 business days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Assessor’s Parcel. Within 15 business days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the Prepayment Amount for the Assessor’s Parcel. Prepayment must be made

not less than 60 days prior to the redemption date for any Bonds to be redeemed with the proceeds of such prepaid Special Tax.

The Prepayment Amount (defined below) shall be calculated as follows (capitalized terms are defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Equals:	Prepayment Amount

The Prepayment Amount shall be determined as of the proposed prepayment date as follows:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For an Assessor's Parcel of Developed Property, compute the Maximum Special Tax for the Assessor's Parcel. For an Assessor's Parcel of Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax for the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Assessor's Parcel. For an Assessor's Parcel of Approved Property or Undeveloped Property for which a Building Permit has not been issued, Provisional Exempt Property, to be prepaid, compute the Maximum Special Tax for the Assessor's Parcel.
3. Divide the Maximum Special Tax derived pursuant to paragraph 2 by the total amount of Special Tax that could be levied at the Maximum Special Tax for all Assessor's Parcels of Taxable Property based on the applicable Maximum Special Tax, including for Assessor's Parcels of Approved Property or Undeveloped Property for which a Building Permit has been issued, the Maximum Special Tax for the Assessor's Parcel as though it was already designated as Developed Property, not including any Assessor's Parcels for which the Special Tax obligation has been previously prepaid.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Determine the Future Facilities Costs.

7. Multiply the quotient derived pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs for the Assessor's Parcel (the "Future Facilities Amount").
8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the CFD Administrator reasonably expects to derive from the investment of the Bond Redemption Amount and the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of the CFD, including the cost of computation of the Prepayment Amount, the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Maximum Special Tax obligation for the Assessor's Parcel and the redemption of Outstanding Bonds (the "Administrative Fees and Expenses").
13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit.
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Improvement Fund. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000 or an integral multiple thereof will be retained in the

appropriate fund established under the Indenture to be used with the next redemption from other Special Tax prepayments of Outstanding Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined pursuant to paragraph 9 above, if applicable, the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for the Assessor's Parcel from the County tax roll. With respect to any Assessor's Parcel for which the Maximum Special Tax obligation is prepaid, the City Council shall cause a suitable notice to be recorded in compliance with the Law, to indicate the prepayment of Maximum Special Tax obligation and the release of the Special Tax lien for the Assessor's Parcel, and the obligation to pay the Special Tax for such Assessor's Parcel shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Tax that may be levied on all Assessor's Parcels of Taxable Property, excluding all Provisional Exempt Property and all Assessor's Parcels with delinquent Special Tax, after the proposed prepayment will be at least 1.1 times maximum annual debt service on the Bonds that will remain outstanding after the prepayment plus the estimated annual Administrative Expenses.

Tenders of Bonds in prepayment of the Maximum Special Tax obligation may be accepted upon the terms and conditions established by the City Council pursuant to the Law. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the City Council.

SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX

The Maximum Special Tax obligation for an Assessor's Parcel of Developed Property, Approved Property or Undeveloped Property may be partially prepaid. For purposes of determining the partial prepayment amount, the provisions of Section G shall be modified as provided by the following formula:

$$PP = ((P_E - A) \times F) + A$$

These terms have the following meaning:

- PP = Partial Prepayment
- P_E = the Prepayment Amount calculated according to Section G
- F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax obligation
- A = the Administrative Fees and Expenses determined pursuant to Section G

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax obligation for the Assessor's Parcel shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the percentage of the Maximum Special Tax obligation such owner wishes to prepay, and (iii) the company or agency that will be acting as the escrow agent, if any. Within 10 business days of receipt of such notice, the CFD Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the amount of a partial prepayment. Within 15 business days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the amount of the Partial Prepayment for the Assessor's Parcel. A Partial Prepayment must be made not less than 60 days prior to the

redemption date for the Outstanding Bonds to be redeemed with the proceeds of the Partial Prepayment.

With respect to any Assessor's Parcel for which the Maximum Special Tax obligation is partially prepaid, the CFD Administrator shall (i) distribute the Partial Prepayment as provided in Paragraph 15 of Section G and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Assessor's Parcel and that a portion of the Special Tax obligation equal to the remaining percentage (1.00 - F) of Special Tax obligation will continue on the Assessor's Parcel pursuant to Section F.

**SECTION I
EXEMPT PROPERTY**

The CFD Administrator shall classify as Exempt Property, (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) other types of public uses determined by the CFD Administrator. The CFD Administrator shall classify such Assessor's Parcels as Exempt Property in the chronological order in which property becomes Exempt.

Notwithstanding the foregoing, the CFD Administrator for purposes of levying the Special Tax 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 Acreage amount listed in Table 3 below. 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 Acreage amount listed in Table 3 will be classified as Provisional Exempt Property, and will be subject to the levy of Special Tax pursuant to Step Five in Section F.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section I that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

TABLE 3
MINIMUM TAXABLE ACRES

Acres
51.13

**SECTION J
APPEALS AND INTERPRETATIONS**

Any property owner claiming that the amount or application of the Annual Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Special Tax that is disputed. The CFD Administrator of CFD No. 2017-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Annual

Special Tax and rule on the appeal. If the CFD Administrator's decision requires that the Annual 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 in the case of the Annual Special Tax), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

The City Council or the designee thereof may interpret this Rate and Method of Apportionment of Annual Special Tax for purposes of clarifying any ambiguity and make determinations relative to the amount of Administrative Expenses. The decision of the City Council or the designee thereof shall be final.

SECTION K 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, provided, however, that CFD No. 2017-1 may collect the Annual Special Tax at a different time or in a different manner if necessary to meet its financial obligations.

SECTION L TERM OF THE SPECIAL TAX

For each year that any Bonds are outstanding the Special Tax shall be levied on all Assessor's Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but the Special Tax shall not be levied after 2058-2059 Fiscal Year.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following is a summary of certain provisions of the Fiscal Agent Agreement not otherwise described in the text of this Official Statement. This summary does not purport to be comprehensive or definitive and is subject to all of the complete terms and provisions of the Fiscal Agent Agreement, to which reference is hereby made.

[to come]

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Mayor and City Council
City of Santee
276 Fourth Avenue
Chula Vista, California 91910

Re: \$_____ Community Facilities District No. 2017-1 (Weston Infrastructure)
of the City of Santee 2019 Special Tax Bonds

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the "District"), of \$_____ aggregate principal amount of Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee 2019 Special Tax Bonds (the "Bonds"). The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), a resolution adopted by the City Council of the City of Santee on May 22, 2019 (the "Resolution"), and a Fiscal Agent Agreement, dated as of June 1, 2019 (the "Fiscal Agent Agreement"), by and between the District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent").

We have examined the Law, the Resolution, the Fiscal Agent Agreement and certified copies of the proceedings taken for the issuance and sale of the Bonds. As to questions of fact which are material to our opinions, we have relied upon the representations of the District and the City of Santee contained in the Fiscal Agent Agreement and in certificates of their authorized officers which have been delivered to us for the purpose of supplying such facts, without having undertaken to verify the accuracy of any such representations by independent investigation.

Based upon such examination, we are of the opinion, as of the date hereof, that the proceedings referred to above have been taken in accordance with the laws and the Constitution of the State of California, and that the Bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by the purchaser thereof, and the Fiscal Agent Agreement having been duly authorized and executed by the proper official, constitute the legally valid and binding obligations of the District enforceable in accordance with their terms subject to the qualifications specified below and the Bonds, except where funds are otherwise available, as may be permitted by law, are payable, as to both principal and interest, solely from certain special taxes to be levied and collected within the District and other funds available therefor held under the Fiscal Agent Agreement.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issuance of the Bonds.

Pursuant to the Fiscal Agent Agreement, the District has covenanted to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the District with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and is exempt from personal income taxation imposed by the State of California.

We are further of the opinion that interest on the Bonds is not an item of tax preference for purposes of calculating the alternative minimum tax provisions of the Code. Although interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The opinions expressed herein may be affected by action which may be taken (or not taken) or events which may occur (or not occur) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur or are not taken or do not occur.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE DISTRICT

THIS CONTINUING DISCLOSURE AGREEMENT – DISTRICT (the “Disclosure Agreement”), dated as of June 1, 2019, is by and between WEBB MUNICIPAL FINANCE, LLC, as dissemination agent (the “Dissemination Agent”), and COMMUNITY FACILITIES DISTRICT NO. 2017-1 (WESTON INFRASTRUCTURE) OF THE CITY OF SANTEE (the “District”).

RECITALS:

WHEREAS, the District has issued its Community Facilities District No. 2017-1 of the City of Santee (Weston Infrastructure) 2019 Special Tax Bonds (the “Bonds”); and

WHEREAS, the Bonds have been issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 2019, by and between U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”), and the District (the “Fiscal Agent Agreement”); and

WHEREAS, this Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the owners and beneficial owners of the Bonds and in order to assist the underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5).

AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises and mutual covenants herein contained, and for other consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. In addition to the definitions of capitalized terms set forth in Section 1.01 of the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section or in the Recitals above, the following terms shall have the following meanings when used in this Disclosure Agreement:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including persons holding any Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

“*City*” means the City of Santee, California.

“*Disclosure Representative*” means the Director of Finance/Treasurer of the City, or such person’s designee, or such other officer or employee as the District shall designate as the Disclosure Representative hereunder in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” means Webb Municipal Finance, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent

designated in writing by the District and which has filed with the District a written acceptance of such designation.

“EMMA” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

“*Official Statement*” means the Official Statement, dated June __, 2019, relating to the Bonds.

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

“*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.

“*Significant Event*” means any of the events listed in Section 5(a) of this Disclosure Agreement.

Section 2. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent 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 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The District shall, or shall cause the Dissemination Agent to, not later than the March 31 occurring after the end of each fiscal year of the District, commencing with the report for the 2018-19 fiscal year, which is due not later than March 31, 2020, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c), and subsequent Annual Report filings shall be made no later than six months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section

3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance.* If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall in a timely manner send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A in a timely manner.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Agreement, stating the date it was so provided and filed.

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

(a) *Financial Statements.* Audited financial statements of the District for the most recently completed fiscal year, prepared in accordance generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, which financial statements may be integrated with the audited financial statements of the City. If the District's (or the City's, as applicable) audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* The Annual Report for each fiscal year shall also include the following information:

(i) The principal amount of Bonds Outstanding as of the September 30 next preceding the date of the Annual Report.

(ii) The balance in the Reserve Fund, and a statement of the Reserve Requirement, as of the September 30 next preceding the date of the Annual Report.

(iii) The balance in the Project Fund, if any, as of the September 30 next preceding the date of the Annual Report.

(iv) The total assessed value of all parcels within the District on which the Special Taxes are levied, as shown on the assessment roll of the County Assessor last equalized prior to the September 30 next preceding the date of the Annual Report, a statement of value-to-lien ratios therefor, by categories, and the current fiscal year's Special Tax levy amounts, in a table similar to Table 3 in the Official Statement (but using County Assessor's assessed values for the property in the District).

(v) The estimated value-to-lien by development status and property owner in a format similar to that of Table 2 in the Official Statement based on

ownership and assessed values reported by the County on its assessment roll last equalized prior to the September 30 next preceding the date of the Annual Report.

(vi) The Special Tax aggregate delinquency rate for all parcels within the District on which the Special Taxes are levied, the aggregate number of parcels within the District on which the Special Taxes are levied and which are delinquent in payment or Special Taxes, and the percentage of the most recent annual Special Tax levy that is delinquent, in a format similar to Table 4 in the Official Statement, all as of the September 30 next preceding the date of the Annual Report.

(vii) The status of foreclosure proceedings for any parcels within the District on which the Special Taxes are levied and a summary or the results of any foreclosure sales, or other collection efforts with respect to delinquent Special Taxes, as of the September 30 next preceding the date of the Annual Report.

(viii) The identity of any property owner owning more than 20 of the 415 lots in the District who is delinquent in payment of such Special Taxes, as shown on the assessment roll of the County Assessor last equalized prior to the September 30 next preceding the date of the Annual Report, the number of parcels so delinquent, and the total dollar amount of all such delinquencies (for purposes of this paragraph, Pardee Homes and TRI Pointe Homes, Inc. shall be considered together as one property owner).

(ix) The most recent annual information required to be provided to the California Debt and Investment Advisory Commission pursuant to Section 6.04 J. of the Fiscal Agent Agreement.

(c) *Cross References.* 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 District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference. If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The District shall, or shall cause the Dissemination Agent (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the obligated person, or the sale of all or substantially all of the assets of the obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) The incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; or
- (xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Significant Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Fiscal Agent Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a)(xv) of this Section 5 contain the qualifier "if material." The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the

event's occurrence is material for purposes of U.S. federal securities law. The District intends that the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Agreement, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States 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 District, or if such jurisdiction has been assumed by leaving the existing governing 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 District.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the 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 District shall give notice of such termination in the same manner as for a Significant Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Webb Municipal Finance, LLC

If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Agreement and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder, with payment to be made from any lawful funds of the District. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the owners of the Bonds, the Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any written direction from the District or a written opinion of nationally recognized bond counsel. The Dissemination

Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Agreement is amended or any provision of this Disclosure Agreement is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Significant Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District 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 Significant Event, in addition to that which is required by this Disclosure Agreement. If the District chooses

to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or future notice of occurrence of a Significant Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bond owner, any Beneficial Owner or the Participating Underwriter may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

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

Section 13. 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.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

COMMUNITY FACILITIES DISTRICT NO.
2017-1 (WESTON INFRASTRUCTURE) OF
THE CITY OF SANTEE

By: _____
Tim K. McDermott,
Director of Finance/Treasurer

3
WEBB MUNICIPAL FINANCE, LLC, as
Dissemination Agent

By: _____
Its: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee

Name of Bond Issue: Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee 2019 Special Tax Bonds

Date of Issuance: June __, 2019

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Bonds as required by Section 6.14 of the Fiscal Agent Agreement, dated as of June 1, 2019, between the Obligor and U.S. Bank National Association, as fiscal agent. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

By: Webb Municipal Finance, LLC, as
Dissemination Agent

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE DEVELOPER

This Continuing Disclosure Agreement – Developer (the “Disclosure Agreement”) dated as of June 1, 2019, is executed and delivered by Pardee Homes (the “Developer”), and Webb Municipal Finance, LLC, as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee (the “District”), of its Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee 2019 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 2019, by and between the District and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent Agreement”).

The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer for the benefit of the Bondowners and Beneficial Owners.

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

“Affiliate” means, any person directly (or indirectly through one or more intermediaries) and currently under managerial control of the Developer or of TRI Pointe, and about whom information could be material to potential investors in their investment decision regarding the 2019 Bonds, including without limitation information relevant to the development of the Property or the Developer’s or TRI Pointe’s ability to pay Special Taxes levied and to be levied on the Property.

“Annual Report” means any Annual Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” means any person who (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

“Business Day” means any day other than (a) a Saturday or a Sunday or (b) a day which is a federal or State of California holiday.

“Disclosure Representative” means the _____ of the Developer, or his or her designee, or such other officer or employee as the Developer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” means Webb Municipal Finance, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the City a written acceptance of such designation.

“District” means the Community Facilities District No. 2017-1 (Weston Infrastructure) of the City of Santee.

“EMMA” means the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30.

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

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” means the Official Statement, dated June __, 2019, relating to the Bonds.

“Participating Underwriter” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds.

“Person” means any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Property” means the real property within the boundaries of the District that is owned by the Developer, TRI Pointe, or any Affiliate of the Developer or of TRI Pointe.

“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.

“Semiannual Report” means any report to be provided by the Developer on or prior to December 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“TRI Pointe” means TRI Pointe Homes, Inc.

SECTION 3. Provision of Annual Reports and Semiannual Reports.

(a) The Developer shall, or shall cause the Dissemination Agent to, not later than June 15 of each year, commencing June 15, 2020, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, June 15 does not fall on a Business Day, then such deadline shall be extended to the following Business Day. 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.

In addition, the Developer shall, or shall cause the Dissemination Agent to, not later than December 15 of each year, commencing December 15, 2019, provide to EMMA a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, December 15 does not fall on a Business Day, then such deadline shall be extended to the following Business Day.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to EMMA, the Developer shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to EMMA by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send in a timely manner a notice to EMMA in a form that is accepted by EMMA.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of EMMA; and

(ii) promptly file a report with the Developer and the City certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to EMMA.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Developer's Annual Report and Semiannual Report shall contain or include by reference the information which is available as of the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. To the extent not previously disclosed in the Official Statement or in a prior Annual Report or Semiannual Report, a discussion of the sources of funds to finance development of the Property by the Developer and by TRI Pointe, and whether any material defaults exist under any loan arrangement related to such financing.

2. For each of the Developer and Tri Pointe, an update to the total number of homes conveyed to homebuyers and total number of building permits issued for the Taxable Property in the District.

3. Any sale by the Developer or any Affiliate of the Developer, or any sale by TRI Pointe or any Affiliate of it, in each case of property in the District to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the property, all since the most recent Annual Report or Semiannual Report.

4. Any major legislative, administrative and judicial challenges known to the Developer to or affecting the development of the Property or the time for construction of

any public or private improvements to be made to the Property by the Developer or any Affiliate of it or by TRI Pointe or any Affiliate of it (the "Developer Improvements").

5. Information regarding any failure by the Developer or any Affiliate of it, or by TRI Pointe or any Affiliate of it, to pay any real property taxes (including Special Taxes) levied on any portion of the Property owned by the Developer or any Affiliate of it, or by TRI Pointe or any Affiliate of it.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues 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 MSRB. The Developer 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 Developer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c) in a timely manner within 10 Business Days after the Developer obtains knowledge of the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied on the Property.

2. Damage to or destruction of any of the Developer Improvements which has a material adverse effect on the value of the Property.

3. Material default by the Developer or any Affiliate of the Developer, or by TRI Pointe or any Affiliate of TRI Pointe, on any loan with respect to the construction or permanent financing of the Developer Improvements.

4. Material default by the Developer or any Affiliate of the Developer, or by TRI Pointe or any Affiliate of TRI Pointe, on any loan secured by any of the Property.

5. Material payment default by the Developer on any loan of the Developer, or material default by TRI Pointe on any loan of TRI Pointe (whether or not any such loan is secured by the Property) which is beyond any applicable cure period in such loan.

6. The filing of any proceedings with respect to the Developer or TRI Pointe, in which the Developer or TRI Pointe may be adjudicated as bankrupt or discharged from any or all of its respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts.

7. The filing of any proceedings with respect to an Affiliate of the Developer, or with respect to an Affiliate of TRI Pointe, in which such Affiliate may be adjudicated as bankrupt or discharged from any or all of its respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts if such adjudication could materially adversely affect the completion of the Developer

Improvements or the development of the Property (including the payment of special taxes of the District).

8. The filing of any lawsuit against the Developer or any of its Affiliates or against TRI Pointe or any of its Affiliates (in each case with service of process on the Developer or its Affiliates or on TRI Pointe or its Affiliates, respectively, having occurred) which, in the reasonable judgment of the Developer, will materially adversely affect the completion of the Developer Improvements or the development of the Property, or litigation which if decided against the Developer or any of its Affiliates or against TRI Pointe or any of its Affiliates, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or its Affiliates or on TRI Pointe or its Affiliates, respectively, in a manner that would materially adversely affect the completion of the Developer Improvements or the development of the Property.

9. A sale or transfer of all or substantially all of the Developer's assets or a sale of a majority of the partnership interests, membership interests or outstanding stock of the Developer, or a sale or transfer of all or substantially all of the TRI Pointe's assets or a sale of a majority of the partnership interests, membership interests or outstanding stock of TRI Pointe.

(b) Whenever the Developer obtains knowledge of the occurrence of a Significant Event occurs under Section 5(a), subsection (2), (3), (4), (5), (7) or (8), the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Significant Events.

(c) If an event described in Section 5(a), subsection (1), (6) or (9) occurs, or if the Developer determines that knowledge of the occurrence of an event described in Section 5(a), subsection (2), (3), (4), (5), (7) or (8) would be material under applicable federal securities laws, the Developer shall file in a timely manner within 10 Business Days after the Developer obtains knowledge of the occurrence of the respective event a notice of such occurrence with EMMA or with the Dissemination Agent which shall then distribute such notice to EMMA in a timely manner within the 10 Business Day period, with a copy to the City. The Developer shall give notice of the occurrence of any event described in Section 5(a) in any event in a timely fashion by filing a notice thereof with EMMA or with the Dissemination Agent which shall then distribute such notice to EMMA in a timely manner, with a copy to the District.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Agreement shall terminate upon the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds,

(b) the date on which the Developer and any Affiliate of it and TRI Pointe and any Affiliate of it together have conveyed more than 332 homes in the District to homebuyers, or

(c) upon the delivery by the Developer to the District of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure

Agreement is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Developer or a private letter ruling obtained by a similar entity to the Developer.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for an Annual Report hereunder.

SECTION 8. Dissemination Agent. The initial Dissemination Agent under this Disclosure Agreement shall be Webb Municipal Finance, LLC. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Agreement. The Dissemination Agent may resign (i) by thirty days written notice to the Developer and the District and (ii) upon appointment of a new Dissemination Agent hereunder. The Developer may terminate the Dissemination Agent by providing thirty days written notice to the Dissemination Agent, the District and the Fiscal Agent and upon appointment of, and acceptance of such appointment by, a new Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer or TRI Pointe with respect to the Bonds, or the type of business conducted;

(b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the District and the Fiscal Agent, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(c) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) and (c) above.

If the financial information or operating data to be provided in an Annual Report or Semiannual Report is amended pursuant to the provisions of this Disclosure Agreement, the Developer shall describe such amendment in the next Annual Report or Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Developer.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer 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, Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report, Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation

under this Disclosure Agreement to update such information or include it in any future Annual Report, Semiannual Report or notice of occurrence of a Listed Event.

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

SECTION 11. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Agreement, the Participating Underwriter or any Bondowner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Developer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. 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 Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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, or its failure to perform its duties hereunder. The Developer agrees to pay the Dissemination Agent a reasonable annual fee for the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriter, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon the Annual Reports and Semiannual Reports provided to it by the Developer as constituting an Annual Report or Semiannual Report, as applicable, required of the Developer in accordance with this Disclosure Agreement and shall have no duty or obligation to review any such Annual Report or Semiannual Report. The Dissemination Agent shall have no duty to prepare any Annual Report or Semiannual Report nor shall the Dissemination Agent be responsible for filing any Annual Report or Semiannual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 13. Reporting Obligation of Developer's Transferees. The Developer shall, in connection with any sale or transfer of ownership of land within the District by the Developer or any Affiliate of it or by TRI Pointe or any Affiliate of it to a transferee that is not an Affiliate of the Developer or an Affiliate of TRI Pointe which will result in the transferee (which term shall include any successors and assigns of the Developer and of TRI Pointe) becoming

responsible for the payment of the Special Taxes on more than 82 lots within the District (including any lots still owned by the Developer or its Affiliates and by TRI Point and any of its Affiliates) in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to provide the information of the type described in Sections 4 and 5 of this Disclosure Agreement; provided that such transferee's obligations under such disclosure agreement shall terminate upon the sold or transferred land being improved with structures, or the land owned by the transferee becoming responsible for the payment of the annual Special Taxes on less than 83 lots in the District.

SECTION 14. Developer as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

SECTION 15. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed by written notice of a party listed below to all other parties listed below.

Developer and Disclosure Representative:	Pardee Homes 13400 Sabre Springs Parkway, Suite 200 San Diego, CA 92128 Attention: _____ Email: _____
with a copy to:	O'Neil LLP 19900 MacArthur Boulevard, Suite 1050 Irvine, CA 92612 Attention: John P. Yeager Email: jyeager@oneil-llp.com
Dissemination Agent:	Webb Municipal Finance, LLC 3788 McCray Street Riverside, CA 92506 Attention: _____ Email: _____
Fiscal Agent:	U.S. Bank National Association 633 West Fifth Street, 24th Floor LM-CA-T24T Los Angeles, CA 90071 Attention: Corporate Trust Services Email: _____
Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, CA 94104 Attention: Sara Oberlies Brown Email: sbrown@stifel.com

City or District:

City of Santee
10601 Magnolia Avenue
Santee, CA 92071-1266
Attention: Director of Finance/Treasurer
Email: tmcdermott@cityofsanteeca.gov

SECTION 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Developer shall not assign this Disclosure Agreement or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 13 hereof. The Dissemination Agent may, with prior written notice to the Developer and the City, assign this Disclosure Agreement and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

SECTION 18. 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 19. Governing Law. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California applicable to contracts made and performed in California.

SECTION 20. 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.

PARDEE HOMES

By: _____

Its: _____

WEBB MUNICIPAL FINANCE, LLC, as
Dissemination Agent

By: _____

Its: _____

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G has been provided by The Depository Trust Company (“DTC”), New York, NY, for use in securities offering documents, and the District does not take responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the 2019 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2019 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

The following description of DTC, the procedures and record keeping with respect to beneficial ownership interests in the 2019 Bonds, payment of principal, interest and other payments on the 2019 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2019 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 2019 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2019 Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2019 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2019 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2019 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2019 Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s

rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

THE FISCAL AGENT, AS LONG AS A BOOK-ENTRY-ONLY SYSTEM IS USED FOR THE 2019 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE. ANY FAILURE OF CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2019 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail

information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

12. THE DISTRICT, THE CITY AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE 2019 BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE DISTRICT, THE CITY AND THE UNDERWRITER ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE 2019 BONDS OR AN ERROR OR DELAY RELATING THERETO.

APPENDIX H
APPRAISAL REPORT

APPRAISAL REPORT

COVERING

Community Facilities District No. 2017-1
(Weston Infrastructure)
of the City of Santee

DATE OF VALUE:

March 4, 2019

SUBMITTED TO:

City of Santee
10601 Magnolia Ave.
Santee, CA 92071-1266

Attn: Tim McDermott
Director of Finance/Treasurer

DATE OF REPORT:

March 13, 2019

SUBMITTED BY:

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

Stephen G. White, MAI



Real Estate Appraiser

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

March 13, 2019

City of Santee
10601 Magnolia Ave.
Santee, CA 92071-1266

Re: Community Facilities District No. 2017-1
(Weston Infrastructure) of the City of Santee

Attn: Tim McDermott
Director of Finance/Treasurer

Dear Mr. McDermott:

In accordance with your request and authorization, I have completed an appraisal of the taxable properties within the above-referenced Community Facilities District (CFD). The CFD contains a total of approximately 184 acres and the taxable properties consist of a total of 415 residential lots that are being developed with 142 detached condominiums and 273 single-family homes within four different product types, allocated as follows:

<u>Product Type (Builder)</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>	<u>Total Lots</u>
Prism (TRI Pointe Homes)	53	14	75	142
Sandstone (Pardee Homes)	69	0	12	81
Talus (TRI Pointe Homes)	46	17	0	63
Lake Ridge (Pardee Homes)	<u>53</u>	<u>14</u>	<u>62</u>	<u>129</u>
	221	45	149	415

The purpose of this appraisal is to estimate the aggregate market value of the as is condition of the properties in each product type, reflecting the status of the completed-closed homes (closed builder sales), completed-not closed homes, homes under construction and vacant lots. The values are also allocated to individual homeowners (completed-closed homes) and builder ownership (completed-not closed homes, homes under construction and vacant lots). In addition, this appraisal reflects the proposed CFD bond financing, as well as the effective tax rates of approximately 1.5% as estimated by the builders, including special taxes for this CFD.

Based on the general inspections of the properties and analysis of matters pertinent to value, the following conclusions of market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of March 4, 2019:


MR. TIM MCDERMOTT
 MARCH 13, 2019
 PAGE 2

<u>Product Type (Builder)</u>	<u>No. Lots</u>	<u>Market Value</u>
Prism (TRI Pointe Homes)		
<i>Individual Owners (completed-closed homes):</i>	34	\$21,930,000
<i>Builder Ownership (completed-not closed homes):</i>	19	\$10,070,000
<i>Builder Ownership (homes under construction):</i>	14	\$4,170,000
<i>Builder Ownership (vacant lots):</i>	<u>75</u>	<u>\$15,625,000</u>
	142	\$51,795,000
Sandstone (Pardee Homes)		
<i>Individual Owners (completed-closed homes):</i>	58	\$40,600,000
<i>Builder Ownership (completed-not closed homes):</i>	11	\$6,380,000
<i>Builder Ownership (vacant lots):</i>	<u>12</u>	<u>\$3,140,000</u>
	81	\$50,120,000
Talus (TRI Pointe Homes)		
<i>Individual Owners (completed-closed homes):</i>	33	\$25,740,000
<i>Builder Ownership (completed-not closed homes):</i>	13	\$8,190,000
<i>Builder Ownership (homes under construction):</i>	<u>17</u>	<u>\$7,100,000</u>
	63	\$41,030,000
Lake Ridge (Pardee Homes)		
<i>Individual Owners (completed-closed homes):</i>	45	\$37,350,000
<i>Builder Ownership (completed-not closed homes):</i>	8	\$5,560,000
<i>Builder Ownership (homes under construction):</i>	14	\$6,930,000
<i>Builder Ownership (vacant lots):</i>	<u>62</u>	<u>\$17,570,000</u>
	<u>129</u>	<u>\$67,410,000</u>
TOTALS	415	\$210,355,000

**(TWO HUNDRED TEN MILLION THREE HUNDRED
 FIFTY-FIVE THOUSAND DOLLARS)**

The following is the balance of this 53-page Appraisal Report which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation and market data from which the value conclusions were derived.

Sincerely,



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

SGW:sw
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CERTIFICATION

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

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

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



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

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

ASSUMPTIONS AND LIMITING CONDITIONS, Continuing

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

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

SPECIAL ASSUMPTIONS

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

PURPOSE AND INTENDED USE/USER OF THE APPRAISAL

The purpose of this appraisal is to estimate the aggregate market value by product type of the as is condition of the taxable properties located within Community Facilities District No. 2017-1 of the City of Santee, reflecting the proposed CFD bond financing. It is intended that this Appraisal Report is to be used by the client, the financing team and others as required in the planned CFD bond issuance.

SCOPE OF THE APPRAISAL

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

EFFECTIVE DATE OF THE APPRAISAL (DATE OF VALUE)

The date of value for this appraisal is March 4, 2019.

PROPERTY RIGHTS APPRAISED

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

DEFINITION OF MARKET VALUE

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

DEFINITION OF MASS APPRAISAL

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

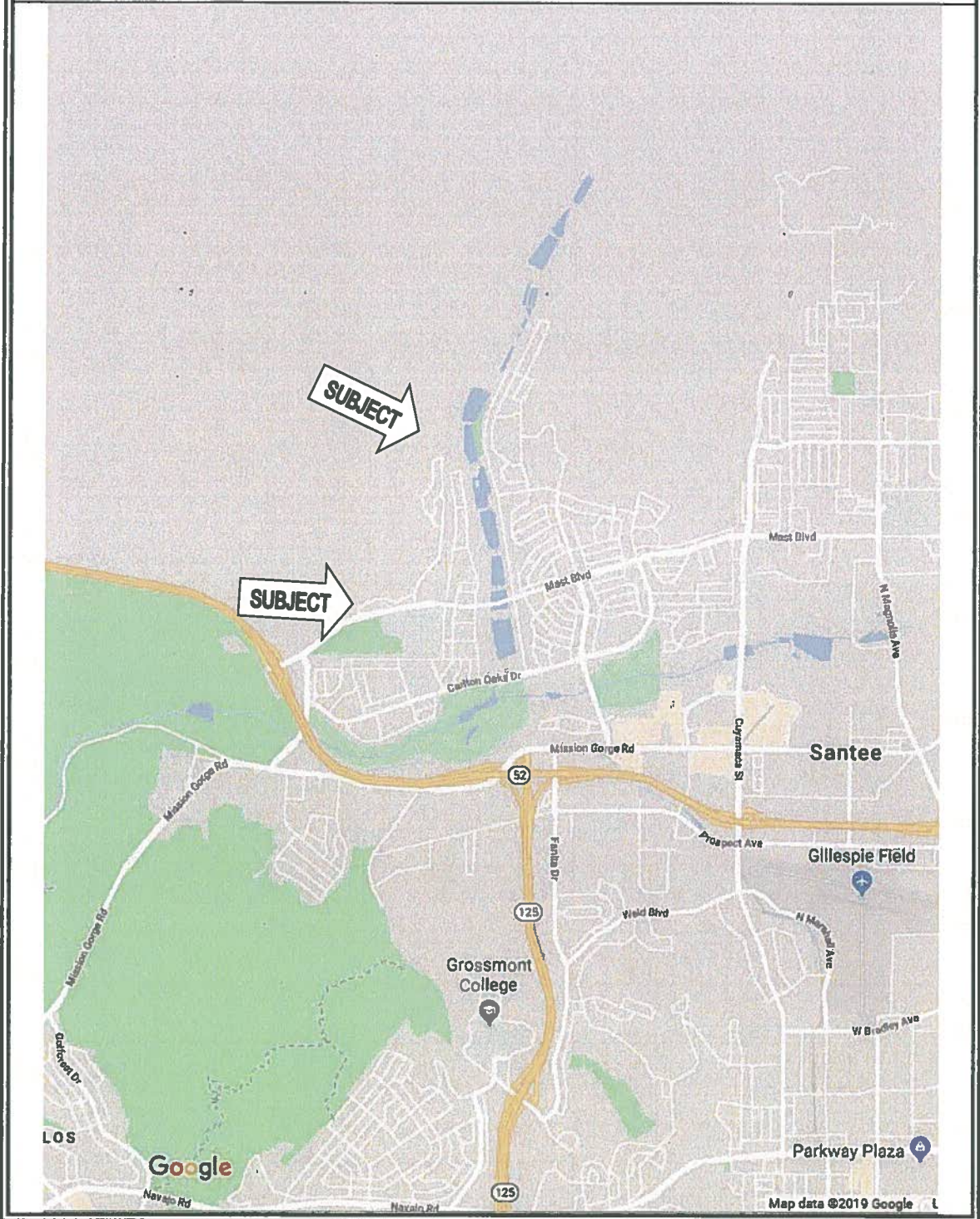
DEFINITION OF FINISHED LOT

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

EXPOSURE TIME

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

LOCATION MAP



GENERAL PROPERTY DATA

LOCATION

The subject master-planned community called Weston is located along the northerly side of Mast Blvd. at Weston Rd., which is nearby to the west of Medina Dr. and in the City of Santee. The community extends northerly along Weston Rd. for just over a mile from Mast Blvd. This location is at the west side of Santee, less than a mile easterly of the 52 Freeway and with a full interchange at Mast Blvd.

GENERAL AREA DESCRIPTION

The subject community of Weston is located in a semi-rural area at the west side of Santee, with much nearby open space and recreation amenities, including the 5,800-acre Mission Trails Regional Park nearby to the southwest. Immediately to the north and west of Weston the land slopes up into a large area of hilly open space that extends for about a mile to the north and several miles to the west to the Marine Corp Air Station Miramar. The majority of this hilly area is open space, and within this area though some distance to the northwest and over the ridge from Weston is the Sycamore Landfill.

Across Mast Blvd. to the south of Weston is the West Hills High School campus. This campus covers about 74 acres and extends for a significant distance along Mast Blvd. To the west of the high school is West Hills Park on an 8.4-acre site, with amenities including lighted baseball fields, sports/multipurpose field, sand volleyball court, playground equipment, picnic tables, barbecue grills, restroom facility, open green space and parking lot. To the east and south of the high school are residential neighborhoods with homes that were mostly built in the early 1960's and early 1970's, and the Carlton Oaks Elementary School.

Along the east side of Weston extending north from Mast Blvd. are various neighborhoods of homes. The homes were built from the late 1960's (southerly end and central area) to the early 1980's (northerly end), and generally range in size from ±1,000 s.f. to 2,500 s.f., with an average of near 1,500 s.f. Sale prices over the past year have indicated the price range from the high \$400,000's to the high \$500,000's.

Beyond these homes is the Santee Lakes Recreation Preserve. This is a 190-acre park with 7 recycled water lakes that extend from slightly south of to well north of Mast Blvd. The park provides amenities including camping, cabin rentals, fishing, boating, special events, playgrounds, walking trails, and approximately 230 bird species. The overall Preserve is owned and operated by Padre Dam Municipal Water district. Farther to the east are various neighborhoods of homes.

The nearest commercial-retail facilities to Weston are mostly along Mission Gorge Rd., east and west from Cuyamaca St., or within several miles to the southeast of the Weston community.

OVERVIEW OF WESTON

The community of Weston is planned to comprise a total of 415 homes within four different product types. In addition, the community will include the Boulder Ridge Swim Club, a 4.47-acre neighborhood park, four tot lots and two small open space areas, a walking trail along the east side of the community, and the large open space areas along the west side.

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

Prism (TRI Pointe Homes): to be 142 homes in a detached condominium layout; 1,789 s.f. to 2,148 s.f.; currently 53 completed homes, 14 homes under construction and 75 vacant lots.

Sandstone (Pardee Homes): to be 81 homes on $\pm 3,700$ s.f. minimum lot/pad size; 2,311 s.f. to 2,599 s.f.; currently 69 completed homes, 0 homes under construction and 12 vacant lots.

Talus (TRI Pointe Homes): to be 63 homes on $\pm 4,800$ s.f. minimum lot/pad size; 2,522 s.f. to 2,895 s.f.; currently 46 completed homes, 17 homes under construction and 0 vacant lots.

Lake Ridge (Pardee Homes): to be 129 homes on $\pm 5,500$ s.f. minimum lot/pad size; 2,396 s.f. to 3,750 s.f.; currently 53 completed homes, 14 homes under construction and 62 vacant lots.

The Boulder Ridge Swim Club is located on a .6-acre site in the center of the community at the southerly corner of Weston Rd. and Trailridge Ave. This fenced and gated facility was recently completed and includes a 2,748 s.f. clubhouse with fitness room, lounge, meeting room, storage areas and covered patio, plus a swimming pool, two spas, and large deck area.

The 4.47-acre park will be located toward the northerly end of the community on the westerly side of Trailmark Way. It will function as a connector to the trailhead at its eastern edge and the system of hillside nature trails beyond, and as a gateway to Mission Trails Regional Park. It is to include restrooms, walking paths, shade structure with picnic tables, park benches and a parking lot, and is to be completed in the first half of 2020.

Three of the tot lots are located along the east side of Weston Rd. and Trailridge Ave. between sections of the Lake Ridge product type, providing open areas for territorial views to the east and connection points with the walking trail along the east side of the community. Also, two small open space areas are along the east side of Weston Rd. and function similarly. The fourth tot lot is located at the north side of the west part of the Prism product type, abutting the hilly area to the north.

The bulk of the 90+ acres of open space comprises the natural hilly area along the west side of the community and along the north side of the west part of the Prism product type. Additional open space comprises landscaped common area along Weston Rd. and Mast Blvd., as well as a narrow strip of area along the east side of the community which includes the walking trail.

City of Santee
Community Facilities District No. 2017-1
(Weston Infrastructure)



STREETS AND ACCESS

Primary access to the Weston community is off of Mast Blvd. at Weston Rd. Secondary access off of Mast Blvd. is by Boulder Vista at the west end of the Prism product type. There is also an emergency access only point into the community at Moana Kia. All four product types front on or access off of Weston Rd., with Hightail Dr., Trailridge Ave. and West Bluff Pl. coming off of Weston Rd. At the north end of the community Trailmark Way comes off of Trailridge Ave.

Mast Blvd. is a main east-west arterial through this area that extends easterly from the 52 Freeway to the east side of Santee. Along the subject community it has four travel lanes with additional left and right turn lanes to Weston Rd. Weston Rd. is a two-lane street with additional left and right turn lanes at Mast Blvd.

UTILITIES

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

Water & Sewer: Padre Dam Municipal Water District
Electric & Gas: San Diego Gas & Electric Company (SDG&E)

ZONING/GENERAL PLAN/APPROVALS

The subject property was originally within the East Elliott Community Plan area which comprised a large part of the east side of the City of San Diego. In 1997 the East Elliott Community Plan was amended to designate the majority of the area as open space and Multiple Habitat Planning Area, other than the 474-acre Sycamore Landfill, a 117-acre area bordering the City of Santee which was designated for low density residential development (future Weston), and an 8-acre area at State Route 52 and Mast Blvd. for office use.

In 2013 the City of San Diego approved an amendment to the General Plan and the East Elliott Community Plan to permit the Castlerock project (later to be renamed Weston) which could contain up to 283 single family detached dwelling units, 147 multi-family detached condominium units (430 total dwelling units), a public park and approximately 90 acres of open space on an undeveloped 203.64-acre site. This site was at the east side of the Elliott Community Plan area, and it was to be annexed into the City of Santee, except for the ±90 acres of open space. In 2015 the City of San Diego approved an amendment to the Castlerock project, reflecting a redesigned Unit 5 to avoid the northern drainage area onsite. In 2016 the annexation was approved and certificated by LAFCO.

The approvals by the City of San Diego reflected that the zoning of the subject project was changed from RS-1-8 (Residential--Single Unit, minimum 40,000 s.f. lots) to RX-1-1 (Residential--Small Lot, minimum 4,000 s.f. lots), RM-2-4 (Residential--Multiple Unit, maximum density of 1 dwelling unit for each 1,750 s.f.

ZONING/GENERAL PLAN/APPROVALS, Continuing

of lot area), and OC-1-1 (Open Space--Conservation). In addition, the General Plan designations are Very-Low Density Residential (density range of zero to five dwelling units per acre) and Open Space.

The more specific approvals for the residential development of the subject Weston project are by Map No. 16155 recorded December 13, 2016, Map No. 16161 recorded December 23, 2016, and Map No. 16303 recorded September 14, 2018.

TOPOGRAPHY/VIEWS

The Weston community is terraced up above Mast Blvd. toward the north and terraced up above the residential neighborhoods to the east, and terraced up against the base of the hills to the west of the community and to the north of the west part of the Prism product type. Within the community, the Talus lots terrace up from the south end to a high point in the center area and then down toward the north end of the product type.

The result is that there are territorial views to the south for the Prism lots along the southerly edge of the community, territorial views to the east to the Prism and Lake Ridge lots along the easterly edge of the community, and territorial views to the east for some of the Talus lots along the easterly side of Hightail Dr. Some of the lots have partial views of the Santee Lakes.

DRAINAGE/FLOOD HAZARD

Onsite or in-tract drainage is in gutters and underground facilities that have been constructed as part of the land development for the overall community, and ultimately into offsite facilities as part of the master-planned drainage system for this area. Per FEMA Flood Zone Panel 060295-06073C1632G dated 5/16/12, all of the subject properties are located in Zone X, which is an area that is determined to be outside the 100- and 500-year floodplains, and also out of the Special Flood Hazard Area.

SOIL/GEOLOGIC/SEISMIC/ENVIRONMENTAL CONDITIONS

It is noted that all of Santee is not located within a State of California Earthquake Fault Zone (formerly known as an Alquist-Priolo Special Studies Zone). The nearest active fault zone is located about 13 to 14 miles to the southwest. In addition, it is noted that this appraisal has assumed that any required mitigation for any soil, geologic or environmental conditions was completed as part of the land development work for the overall community, and that there are none other of these conditions that would negatively impact the existing home construction that has taken place or planned in the future.

TITLE REPORTS

The Eighth Amended Preliminary Report on Castlerock Units 1 through 4 by Chicago Title Company dated July 31, 2017 and the Seventh Amended Preliminary Report on Castlerock Unit 5 by Chicago Title Company dated July 25, 2017 have been reviewed. It is noted that Castlerock Units 1 through 4 comprises the bulk of the Weston community, with Castlerock Unit 5 comprising the far northerly end of the community.

Exceptions to title include various easements for public utilities in favor of San Diego Gas and Electric Company and the City of San Diego, various road/roadway and public road easements, and various agreements pertaining to storm water facilities and open space. It is noted that such exceptions to title are typical for a project such as Weston, and have been incorporated into the entitlements and recorded tract maps providing for development of homes on the single-family lots.

RESIDENTIAL MARKET OVERVIEW

While home prices across Southern California continue their general upward trend, albeit at a slower pace, the number of transactions has continued to drop year over year. Market analysts contend that the problem is not due to lack of demand, because many prospective buyers are still eager to enter the market, but that wages are not keeping up with home prices and affordability continues to be a significant hurdle.

According to CoreLogic, the median home price in the six-county region was \$505,000 in January, reflecting a 2.0% year over year increase from the median price of \$495,000 a year earlier, but down 1.9% from December 2018. Total home sales in Southern California in January continued their downward trend, down 19.8% month over month from 15,794 sales in December and down 17.1% from January 2018. Total sales in the region in January were the lowest they have been in 11 years, since January 2008 when 9,983 homes were sold. It is believed that such factors as affordability, fluctuating mortgage rates, stock market volatility, uncertainty related to the federal government shutdown and speculation that home prices may have peaked impacted buyer motivation in the fourth quarter of 2018 when many of these sales would have been negotiated.

Home sales data provided by CoreLogic for January 2019 indicates that many of the market trends seen throughout the Southern California region are mirrored both in San Diego County and the City of Santee. According to CoreLogic, there were a total of 2,115 home sales in January across the County, including both single family homes and condos, and reflecting new home sales as well as resales, which was down 19.4% from 2,625 homes sold in January 2018. The median price County-wide was \$542,000, up from \$529,000 the prior year which represents a 2.5% increase.

RESIDENTIAL MARKET OVERVIEW, Continuing

In Santee, there were a total of 63 sales, with a reported median price of \$492,500 which was up 0.8% from \$488,500 in January 2018. According to the Greater San Diego Association of Realtors, realtors sold 42 single-family homes in Santee in January, which was the most of any zip code in the county. And while the number of sales are down for January, the number of homes on the market is up by more than 30% from a year ago, and it is hoped that this will spur buyer optimism heading into the spring buying season.

Construction of new homes has continued to be conservative, with just 9,579 permits for homes pulled in the County in 2018 (in contrast to 2004 when 17,306 were built in a year), with 3,389 of these being for single-family homes. As a result, new home sales in January 2019 were the third lowest for a given month since CoreLogic began tracking the numbers in 1988. According to Borre Winkel, CEO of the Building Industry Association, political pressure to build more housing has been strong, but a statewide measure for expanded rent control, increasing steel prices and steady community opposition to new projects has checked forward momentum.

In spite of these broader challenges, the City of Santee continues to be a desirable market for homebuyers seeking more affordable housing opportunities in proximity to job centers in the greater San Diego area. As a result, residential development has continued in Santee with the recently completed developments of Prospect Fields and River Village by KB Home; the ongoing sales program in the subject master-planned community of Weston; and near term projects in the Town Center specific plan including the 67-lot Walker Trails tract by Mastercraft Homes and two prospective developments by Cornerstone Communities coming in 2020. There are various other projects in the pipeline including the nearly 3,000-acre Fanita Ranch proposed by HomeFed Corporation for 3,000 dwelling units with 15 parks, a 35-acre community farm, 80,000 s.f. of retail and a K-8 school.

Lastly, the Tax Cuts and Jobs Act (TCJA) enacted into law on December 22, 2017 lowered the cap on mortgage interest deduction to the first \$750,000 of a home loan on new purchases (existing loans are grandfathered in), increased the standard deduction, and put a cap of \$10,000 on deductions for state and local taxes (state income tax, property tax and sales tax). While some market analysts feared these tax reforms would have a stifling effect on prices, many others say they have seen no evidence of this. However, the first tax returns to be filed since the TCJA went into effect are only now being prepared during the spring 2019 tax season, thus it remains to be seen how the factors in the TCJA will continue to affect the housing market in San Diego County and Southern California as a whole.

HIGHEST AND BEST USE

The term highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately

HIGHEST AND BEST USE, Continuing

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

In terms of legal permissibility, the existing and planned residential development of the subject lots is permitted by the zoning and General Plan as well as by the entitlements represented by the recorded tract maps. In terms of physical possibility, the existing and planned residential development is possible due to the single-family lots that are in near finished or finished condition, including needed infrastructure having been completed.

In terms of the financial feasibility, as previously discussed in the Residential Market Overview, the residential market in this area has evidenced a slowing in home price increases and sales volume. As discussed later in this report, home sales in the Weston community have indicated a softening in pricing in recent months, which is typically utilized to maintain absorption of new home sales. However, the desirability of the Weston community is evident by the total of 170 closed builder sales as of March 4, 2019, plus a total of 49 pending sales as of the beginning of March 2019, many of which were due to close during March. Thus, the Weston community is concluded to be financially feasible at the appropriate price points for the various products of homes.

In addition, the Market Absorption Study on CFD No. 2017-1 prepared by Empire Economics, Inc. and dated February 20, 2019 indicates that this CFD benefits from households that come to this area for more moderately priced single-family housing as compared to locations closer to the downtown San Diego area. It was also indicated that the CFD has favorable socioeconomic factors which will support the demand for its housing products. However, this report also noted that the January 2019 home prices were similar/slightly lower than the August 2018 prices, and also that homes scheduled for escrow closings during the first quarter of 2019 indicate a potential for slowdown of absorption rates.

Lastly, in terms of the maximum productivity, this is represented by the homes that have been built and are planned to be built on the subject lots, with an appropriate array of home sizes within the four product types.

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

PRISM (TRI POINTE HOMES)

PROPERTY DATA

Location

This product type is located along the northerly side of Mast Blvd., to the west and east of Weston Rd. To the west of Weston Rd. the lots are located on Boulder Vista, Sandstone Pl., Goldfield Ln., Olivine Row, Chaparral Dr., Meadowlark Ln. and Starling Ln. To the east of Weston Rd. the lots are located on Boulder Way, Scrub Oak St., Goldfield Dr., Yucca St., Redberry St. and Chaparral St.

Record Owner/Ownership History

As of the March 4, 2019 date of value, individual homeowners owned 34 of the lots (Lots 20, 27 to 29, 32, 34 to 36 & 38 to 63) and TRI Pointe Homes, Inc. owned the remaining 108 lots (Lots 1 to 19, 21 to 26, 30, 31, 33, 37 & 64 to 142).

Pardee Homes originally acquired the land for this Weston community about 15 years ago. The transfer of the property from Pardee Homes to TRI Pointe Homes, Inc. (related entities) for the Prism and Talus product types took place by Grant Deed recorded July 10, 2017.

The sales of the 34 completed homes from TRI Pointe Homes, Inc. to the individual homeowners closed from June 20, 2018 through December 20, 2018 at net sale prices ranging from \$599,007 to \$739,249. In addition, as of early March 2019 there were 14 pending sales that were due to close from March 6 through August 16, 2019.

Legal Description

The 142 lots comprising this product type are described as Residential Unit Nos. on the Condominium Plan, including various Residential Modules and Phases, with the overall project comprising Lots 1 and 2 of Castlerock Units 1, 2, 3 and 4, in the City of Santee, County of San Diego, State of California, according to Map thereof No. 16155, filed in the Office of the County Recorder of San Diego County. (Note: The builder information refers to these home sites as Lots 1 through 142, which is how they are referred to in this report.)

Assessor Data-2018/19

The 63 lots to the west of Weston Rd. comprise Assessor Parcel Nos. 366-090-47-01 to 366-090-47-63 and the 79 lots to the east of Weston Rd. do not yet have assigned Assessor Parcel Nos. Assessed values are not yet available on the subject parcels. The tax rate area is 016086 with an indicated tax rate of 1.16882%, but the total or effective tax rate, including special taxes for this CFD, is indicated by the builder to be approximately 1.5%.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This product type comprises a total of 142 lots in a Condominium Plan, with 63 lots to the west of Weston Rd. and 79 lots to the east. The lots generally range in size from $\pm 40'45'$ wide by $\pm 60-70'$ deep, or an average size of $\pm 2,700$ s.f.

Description of Homes/Status of Construction

These lots are currently being developed by TRI Pointe Homes with the product type of small-lot detached homes in a condominium plan called Prism at Weston. As of the March 4, 2019 date of value, there were 34 completed-closed homes (Lots 20, 27 to 29, 32, 34 to 36 & 38 to 63); 19 completed-not closed homes including the 4 models (Lots 7 to 9, 18, 19, 21 to 26, 30, 31, 33, 37 & 64 to 67); 14 homes under construction of which 6 were indicated to be 40% completed (Lots 1 to 6) and 8 in the early stage of construction with completed slabs (Lots 10 to 17); and 75 vacant lots that were physically in finished condition (Lots 68 to 142).

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

Plan 1: 1,789 to 1,790 s.f., two-story, with 3 bedrooms, 2.5 baths, great room, dining area, kitchen with small pantry, loft, second floor laundry, and a 2-car garage.

Plan 2: 2,014 s.f., two-story, with 3 to 5 bedrooms, 2.5 to 3 baths, den, great room, dining area, kitchen with island and small pantry, loft, second floor laundry, and a 2-car garage; optional bedroom 4 in lieu of den plus optional bath 3 in lieu of $\frac{1}{2}$ bath and storage; and optional bedroom 5 in lieu of loft.

Plan 3: 2,147 to 2,148 s.f., two-story, with 3 to 5 bedrooms, 2.5 to 3 baths, den, great room, dining area, kitchen with island and small pantry, loft, second floor laundry, and a 2-car garage; optional bedroom 4 in lieu of den plus optional bath 3 in lieu of $\frac{1}{2}$ bath and larger storage area; and optional bedroom 5 in lieu of loft.

Per building permit data, the 53 completed homes range in size from 1,789 s.f. to 2,148 s.f., with average sizes of 1,995 s.f. for the 34 completed-closed homes and 1,980 s.f. for the 19 completed-not closed homes.

VALUATION

Method of Analysis

The analysis of the completed-closed homes is of the aggregate value and on a mass appraisal basis by means of the Sales Comparison Approach. Primary consideration is given to the recent builder sales of the subject homes, and secondary consideration is given to recent builder sales of other new homes in the Weston community as discussed later in this report.

VALUATION, Continuing

For the completed-not closed homes, the analysis considers a discount due to the bulk ownership by the builder with the discount reflecting holding/sales costs, minor finishing costs and profit in order to sell off the homes. For the homes under construction, a simplified Cost Approach is used in which the value is based on an estimate of construction hard/direct costs expended plus the estimated value of the vacant lot. The analysis of the vacant lots as if in finished condition is based on the Sales Comparison Approach, considering recent sales of residential land or bulk lots from the general area in comparison to the subject property.

Analysis of Completed-Closed Homes

These are the 34 homes for which the builder sales closed from June 20, 2018 through December 20, 2018 at net sale prices ranging from \$599,007 to \$739,249, or an average of \$656,962 for the average home size of 1,995 s.f., or \$329.28 per s.f. Considering only the 17 sales that closed in November and December 2018 the average price is slightly lower at \$651,788 for a similar average home size of 1,987 s.f., or \$327.98 per s.f.

The 14 pending sales indicate the much lower average net price of \$637,300 and for the slightly larger average home size of 2,049 s.f., or \$311.08 per s.f. However, considering just the 8 pending sales that are due to close in March 2019, the average net price is \$655,079 for an average home size of 2,053 s.f., or \$319.12 per s.f. Thus, the indicated prices for the pending sales that are not due to close until June through August may not yet reflect options.

It is further considered that there were 33 sales (32 closed and 1 pending) that were negotiated through the end of September or through the third quarter of 2018 that indicated an average price of \$659,426 for an average home size of 2,005 s.f., or \$328.83 per s.f. In contrast, there were 9 sales (2 closed and 7 pending, excluding the 6 pending sales not due to close until June through August 2019) that were negotiated from October 2018 through late February 2019 that indicated the lower average price of \$646,256 and for a fairly similar average home size of 2,009 s.f., or \$321.68 per s.f. This reflects the softening in pricing that has occurred in more recent months.

Thus, considering dates of sale negotiation the indication at \$656,962 supports a firm upper limit as an average value for the 34 homes at current date, and the indication at \$651,788 supports a closer but still firm upper limit. Then, due to the much larger average home size the indication at \$655,079 also supports a firm upper limit, and due to the slightly larger average home size the indication at \$646,256 supports a close upper limit at current date.

On a price per s.f. basis, a supportable indication is slightly over \$321.68 per s.f. (due to the slightly larger average size) but well under \$329.28 per s.f. (due to the

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dates of sale negotiation), or a supportable range of \$323.00 to \$325.00 per s.f. which results in the following:

1,995 s.f. average @ \$323.00 to \$325.00/s.f. = \$644,385 to \$648,375

As discussed next in this report for the Sandstone product type, the 12 closed and pending sales (excluding the 4 pending sales not due to close until September 2019) that have been negotiated from October 2018 through late February 2019 indicate an average net price of \$698,299 for an average home size of 2,498 s.f., or \$279.56 per s.f. Due to the much larger average home size as well as the larger lot sizes, the average price of \$698,299 supports a far upper limit indication as an average for the subject Prism homes, and due to the much larger average size the indication at \$279.56 per s.f. supports a far lower limit indication as follows:

1,995 s.f. @ \$279.56/s.f. = \$557,722

As discussed later in this report for the Talus product type, the 8 closed and pending sales (excluding the 4 pending sales not due to close until August 2019) that have been negotiated from November 2018 through late February 2019 indicate an average net price of \$774,023 for an average home size of 2,705 s.f., or \$286.13 per s.f. Due to the much larger average home size as well as the larger lot sizes and more desirable lot locations, the average price of \$774,023 supports a far upper limit indication as an average for the subject Prism homes, and due to the much larger average size the indication at \$286.13 per s.f. supports a far lower limit indication as follows:

1,995 s.f. @ \$286.13/s.f. = \$570,829

In summary, the indications of average value for the 34 completed-closed homes support far lower limit indications at \$557,722 to \$570,829; a closer but still firm lower limit indication at \$637,300; a close indication from \$644,385 to \$648,375; a close upper limit indication at \$646,256; firm upper limit indications from \$651,788 to \$659,426; and far upper limit indications at \$698,299 and \$774,023. The conclusion is an average value of \$645,000 for the 34 completed-closed homes.

Analysis of Completed-Not Closed Homes

These 19 homes comprise the 4 model homes and 15 production homes of which there are pending sales on 8 of the production homes that were due to close from March 6 through 29, 2019. The average size of these 19 homes is 1,980 s.f. which is slightly smaller than the average of 1,995 s.f. for the completed-closed homes.

Considering the slightly smaller average size, but partially offset by the premiums for the upgraded model homes, the initial value conclusion for these 19 homes is slightly lower than for the completed-closed homes, or an average of \$640,000.

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Then, a discount in the range of 15% to 20% (say 17.5%) has been applied due to the bulk ownership by the builder and reflecting sell-off time, holding/sales costs, minor finishing costs and profit. This results in an average value rounded to \$530,000 for the 19 completed-not closed homes.

Analysis of Homes Under Construction

For the 6 homes that were indicated to be 40% completed, I have considered a cost amount of 40% of direct costs indicated to be an average of \pm \$82.00 per s.f., or \$32.80 per s.f. on the average home size of 1,984 s.f. for these 6 homes, or a rounded amount of \$65,000. This is added to the estimated value of \$270,000 for the vacant lot in finished condition, as discussed later, resulting in a total of \$335,000 as an average for these 6 homes.

For the 8 homes that were in the very early stage of construction, these 8 homes are allocated land value only, or the average of \$270,000 as a vacant lot in finished condition.

Analysis of Vacant Lots

The analysis of the 75 vacant lots as if in finished condition is based on the Sales Comparison Approach, considering recent sales of residential land or bulk lots from the general area in comparison to the subject property. Thus, a search was made over a widespread area for recent sales of reasonably similar bulk single-family lots. The pertinent sales data is first shown in the following table, with the discussion and analysis of the sales following thereafter.

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<u>No.</u>	<u>Location/APN</u>	<u>Rec. Date</u>	<u>No. Lots Min Size</u>	<u>Price/Lot Price/Fin Lot</u>	<u>Remarks</u>
1	W'yly side Magnolia Ave., ±60' S/O Claudia Ave., Santee 381-160-41, 46 & 63	Escrow	67 3,440	n/a ±\$300,000	Walker Trails project; rough graded land; approved tentative tract map; to close in May; homes to be in the \$600,000's; will have SCIP with 1.5% eff. tax rate
2	SWC Braverman Dr. & Jeremy St. Santee 381-651-01 to 82	9/15/16	82 6,000	\$164,634 \$305,000	River Village project; was vacant land, grading permit ready and with approved tentative tract map; buyer planned 2,210-2,850 s.f. homes start in mid-\$600,000's
3	N'yly side Prospect Ave. opposite Clifford Heights Rd., Santee 383-112-05 & 28	6/10/16	75 3,375	\$160,387 ±\$275,000	Prospect Fields project; was vacant fairly flat land in raw condition with approved tentative tract map; buyer planned 1,904-2,221 sf homes, start low \$600's
4	N/NW of N'yly end of Trailmark Way, Santee 366-050-25	Listing	17 5,250 (avg)	\$117,353 \$218,662	Adjacent to north/northwest of Lake Ridge product; raw land; entitlements in process but at least 12 more months to achieve; may assemble additional land
5	N/S Santa Barbara Dr. at Treasure Dr., San Marcos 222-081-01 to 71	12/14/16	71 3,900	\$259,366 \$311,273	Westerly product in Rancho Tesoro masterplan; lots in blue-top condition with recorded final tract map; buyer planned homes of 2,801 s.f. to 3,521 s.f.
6	W/S Twin Oaks Valley Rd. at Montessa Way, San Marcos 218-110-01 to 19	1/5/17	19 6,000	n/a ±\$285,000	Vidler Estates property; land in raw physical cond. with approved tent. tract map; no CFD; buyer is building 3,017-3,449 s.f. homes called Montessa
7	W/O northern terminus of N. Las Posas Rd., San Marcos 182-241-03; 217-050-36&38; 218-011-10	Former Escrow	89 7,215 (avg)	n/a ±\$400,000- \$410,000	Skylark project; land in raw physical condition with approved tent. tract map; no CFD; projected home sizes of 2,753 s.f. to 3,263 s.f.; views; open space
8	E/S Emerald Dr. between Wildflower Dr. & Cameo Dr., Vista 162-140-96	5/1/18	27 4,600	\$120,198 \$306,000	Vista Emerald property; land in raw physical cond. with approved tent. tract map; no CFD; projected home sizes were 2,129 s.f. to 2,553 s.f.
9	NE/S Lado De Loma Dr., SE/O Guajome St., Vista 179-093-18, 23, 30, 32 & 34	Escrow	24 3,000	\$100,000 ±\$250,000	Pheasant Hill property; land in raw physical cond. with approved tent. tract map; no CFD; projected home sizes are 1,781 s.f. to 1,941 s.f.

Data No. 1 is located on the westerly side of Magnolia Ave., nearby to the south of Claudia Ave. in Santee, extending west to Cottonwood Ave. and south to the San Diego River. This is a 17.35-acre ownership on which the residential subdivision is proposed on the northerly 11.1 acres and open space on the southerly portion. The land is in rough graded condition with an approved tentative tract map for 67 lots, 3,440 s.f. minimum size, and with a SCIP to finance some of the infrastructure resulting in an effective tax rate of ±1.5%. The sale is currently in escrow, due to close in May 2019, at a price reflecting ±\$300,000 per finished lot and at that time the final map will be ready to record. The buyer plans homes to be in the \$600,000's, which reflects a finished lot ratio of ±44-46%.

In comparison to the subject, the location is considered to be slightly inferior in terms of the surroundings and lack of being part of a master-planned community with amenities; the bulk size of 67 lots is similar; the minimum lot size of 3,440 s.f. is larger resulting in the potential for larger and higher-priced homes; the rough graded condition with a final map ready to record is inferior due to the greater risk and time to get the lots to a buildable condition; the SCIP is similar; and there is no

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adjustment for date of sale/market conditions. Overall, a downward adjustment for the superior factor of larger lot sizes is partially offset by upward adjustments for the inferior location, physical condition and status of entitlements, resulting in a firm upper limit indication of value for the subject at \pm \$300,000 per finished lot.

Data No. 2 is located at the southwest corner of Braverman Dr. and Jeremy St. in Santee, which is several blocks south of Mast Blvd. and several blocks east of Magnolia Ave., extending south to the San Diego River. This was a 17.35-acre site that consisted of vacant and fairly flat land that was grading permit ready and with an approved tentative tract map for 82 lots, 6,000 s.f. minimum size, and with no CFD. The sale to KB Home closed in September 2016 at the price of \$164,634 per lot, with finished lots estimated at \$305,000. KB Home planned to develop the neighborhood of homes called River Village, with the homes ranging in size from 2,210 s.f. to 2,850 s.f., and pricing originally planned to start in the mid-\$600,000's. This reflects a finished lot ratio of \pm 43-44%.

In comparison to the subject, the location is considered to be inferior in terms of the surroundings and lack of being in a master-planned community with amenities; the bulk size of 82 lots is similar; the minimum lot size of 6,000 s.f. is substantially larger resulting in the potential for larger and higher-priced homes; the status of the physical condition and entitlements were inferior due to the greater risk and time to get the lots to a buildable condition; the lack of a CFD tends to result in a higher finished lot indication; and an upward adjustment for date of sale/market conditions is supportable. Overall, downward adjustments for the much larger lot sizes and lack of CFD are partially offset by upward adjustments for the inferior location, status of physical condition and entitlements, and date of sale/market conditions, resulting in a firm upper limit indication of value for the subject at \$305,000 per finished lot.

Data No. 3 is located on the northerly side of Prospect Ave. opposite Clifford Heights Rd. in Santee, just over a mile to the southeast of Weston. This was an 11.39-acre site that consisted of vacant fairly flat land with an approved tentative tract map for 75 lots, 3,375 s.f. minimum, and with no CFD. The sale to KB Home closed in June 2016 at the price of \$12,029,000 or \$160,387 per lot, with finished lots estimated at that time to be \pm \$275,000 per lot. KB Home planned to develop the neighborhood of homes called Prospect Fields, with the homes ranging in size from 1,904 s.f. to 2,221 s.f., and with pricing to start in the low-\$600,000's, indicating a finished lot ratio of about 42%.

In comparison to the subject, the location is considered to be inferior in terms of the surroundings and lack of being in a master-planned community; the bulk size of 75 lots is similar; the minimum lot size of 3,375 s.f. is larger; the status of the physical condition and entitlements were inferior; the lack of a CFD tends to result in a higher finished lot indication; and an upward adjustment for date of sale/market conditions is supportable. Overall, upward adjustments for the inferior location, status of

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physical condition and entitlements, and date of sale/market conditions are offset by downward adjustments for the larger lot sizes and lack of CFD, resulting in a fairly close indication of value for the subject at \pm \$275,000 per finished lot.

Data No. 4 is located just to the north/northwest of the most northerly end of the subject Lake Ridge product type as discussed later in this report. This is a 16.0-acre irregular-shaped site consisting of vacant land in raw and gently sloping/undulating condition. The owner is in the process of entitling the site for 17 lots, 5,250 s.f. average size, and the lots would be on one cul-de-sac street on the southeast portion of the site with much open space on the balance of the site. It is estimated that there is at least 12 more months until entitlement status might be achieved. The property is available for sale at an asking price of \$1,995,000 or \$117,353 per potential lot, with finished lots estimated at \$218,662 per lot. It is also noted that the property owner is working to assemble an adjacent site that would provide for a greater number of lots.

In comparison to the subject, the general location is fairly similar but the lack of being part of a master-planned community is inferior; the bulk size of only 17 lots is inferior and less desirable to most larger builders; the minimum lot size of likely between 4,500 s.f. and 5,000 s.f. is much larger; the status of the physical condition and entitlements is far inferior; the lack of a CFD is superior from a finished lot standpoint; and there is no adjustment for date of sale/market conditions. Overall, significant upward adjustments for the current lack of entitlements and physical condition, as well as for the location and small bulk size are only slightly offset by downward adjustments for the larger lot sizes and lack of a CFD, resulting in a far lower limit indication of value for the subject at \$218,662 per finished lot.

Data No. 5 is located at Santa Barbara Dr. and Treasure Dr. in the southeasterly part of the City of San Marcos, about a mile to the south of State Route 78 and within the master-planned community of Rancho Tesoro. This sale consisted of 71 lots, 3,900 s.f. minimum size, that were delivered by the master-developer in blue-top condition with a recorded tract map, and an existing CFD with effective tax rates from about 1.5-1.6%. The sale to California West closed in December 2016 at a price of \$18,415,000 or \$259,366 per lot, based on \$311,273 per finished lot. The buyer planned a product of homes called Westerly, ranging in size from 2,801 s.f. to 3,521 s.f., and the earliest sales indicated an average price of about \$784,000, which reflects a finished lot ratio of 40%.

In comparison to the subject, the location is considered to be fairly similar; the bulk size of 71 lots is similar; the minimum lot size of 3,900 s.f. is much larger; the status of the physical condition was slightly inferior but the status of entitlements was similar; the existing CFD is similar; and an upward adjustment for date of sale/market conditions is supportable. Overall, a significant downward adjustment for the larger lot sizes is only partially offset by upward adjustments for the slightly

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inferior physical condition and date of sale/market conditions, resulting in a far upper limit indication of value for the subject at \$311,273 per finished lot.

Data No. 6 is located on the west side of Twin Oaks Valley Rd. at Montessa Way in the northeast part of San Marcos, and about 1.25 miles north of State Route 78. This was a 4.9-acre infill site in a mixed residential and industrial area. The land was in raw physical condition, gently sloping, but with an approved tentative tract map for 19 lots, 6,000 s.f. minimum size and 8,030 s.f. average size, and with no CFD. The sale to CalAtlantic Homes closed in January 2017 at a price reflecting \pm \$285,000 per finished lot. The buyer subsequently completed the land development work and construction of the neighborhood of homes called Montessa, with the homes ranging in size from 3,017 s.f. to 3,449 s.f. and with pricing from the low to mid-\$800,000's. This indicates a finished lot ratio of about 35%.

In comparison to the subject, the location is considered to be inferior due to the lack of being in a master-planned community; the bulk size of 19 lots is inferior and less desirable to major builders; the minimum lot size of 6,000 s.f. is substantially larger; the raw physical condition at time of sale with only an approved tentative tract map is inferior due to the greater risk and time to get lots to a buildable condition; the lack of a CFD typically results in a higher finished lot price; and an upward adjustment for date of sale/market conditions is supportable. Overall, downward adjustments for the substantially larger minimum lot size and lack of CFD are mostly offset by upward adjustments for the inferior location, small bulk size, physical condition, status of entitlements and date of sale/market conditions, resulting in a close upper limit indication of value for the subject at \$285,000 per finished lot.

Data No. 7 is located west of the northern terminus of N. Las Posas Rd. in San Marcos. This is a desirable hilly residential area about 1.5 miles north of State Route 78, with much surrounding open space and some good views. It is a 91.65-acre site consisting of vacant undulating land with a 500' wide County Water Authority easement running north-south through the property. There is an approved tentative tract map for 89 lots with an average size of 7,215 s.f., and some lots to have distant ocean views, plus 40.51 acres of open space including connection to the Citywide trail system. The planned homes were to range in size from 2,753 s.f. to 3,263 s.f. with projected average pricing in the mid-\$800,000's (though that appears to be on the conservative side). It had been anticipated that Agency approvals and final map approvals would be completed in the first quarter of 2019.

There had been offers on this property based on finished lots at \$360,000 to \$410,000, and as of late Summer 2018 the seller had selected a buyer at the top of the range (say \pm \$400,000 to \$410,000). It had been anticipated that escrow would close by December 2018, however this deal fell through due to environmental issues. Based on the projected average home pricing in the mid-\$800,000's, this indicated a

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finished lot ratio of $\pm 47-48\%$, though reflecting what appeared to have been conservative projected home pricing.

In comparison to the subject, the location is considered to be superior including the good views with significant potential lot premiums; the bulk size is similar; the lot sizes are substantially larger; the raw physical condition and tentative tract map approvals are inferior; the lack of a CFD typically results in a higher finished lot price; and there is no adjustment for date of sale/market conditions. Overall, significant downward adjustments for the superior factors of location, view, lot sizes and lack of CFD are only minimally offset by an upward adjustment for the inferior physical condition/status of entitlements, resulting in a far upper limit indication of value for the subject at $\pm \$400,000$ to $\$410,000$ per finished lot.

Data No. 8 is located on the east side of Emerald Dr. between Wildflower Dr. and Cameo Dr. in the City of Vista, which is across Emerald Dr. from the City of Oceanside and just under a mile to the north of State Route 78. This was a 6.9-acre infill site in an average residential area. The land was in raw physical condition, gently sloping, but with an approved tentative tract map for 27 lots, 4,600 s.f. minimum size and 6,581 s.f. average size, and with no CFD. The sale to Lennar Homes closed in May 2018 at a price of \$120,198 per lot for the as is condition, with finished lots estimated at \$306,000 per lot. The conceptual plans that had been prepared for the seller indicated home sizes of 2,129 s.f. to 2,553 s.f., with projected pricing in the low to high \$600,000's, indicating a finished lot ratio of $\pm 47\%$. However, Lennar Homes is currently planning much larger homes of 2,718 s.f. to 3,086 s.f., with pricing not yet available.

In comparison to the subject, the location is considered to be inferior due to the general area and lack of being in a master-planned community; the bulk size of 27 lots is inferior; the minimum lot size of 4,600 s.f. is much larger; the raw physical condition at time of sale with only an approved tentative tract map is inferior; the lack of a CFD typically results in a higher finished lot price; and no adjustment for date of sale/market conditions is considered to be supportable. Overall, downward adjustments for the significantly larger minimum lot sizes and lack of CFD are partially offset by upward adjustments for the inferior location, bulk size, physical condition and status of entitlements, resulting in a firm upper limit indication of value for the subject at \$306,000 per finished lot.

Data No. 9 is located on the northeast side of Lado De Loma Dr. nearby to the southeast of Guajome St. in Vista, and extending northeast to the main railroad tracks. This location is in an average residential area, nearby to the north of State Route 78 and between Vista Way and Civic Center Dr. It is a 3.35-acre site that consists of vacant land in raw physical condition and sloping down to the northeast, with an approved tentative tract map for 24 lots, 3,000 s.f. minimum size and 4,072 s.f. average size, and with no CFD. The property is currently in escrow at a price of

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\$100,000 per lot for the as is condition, with finished lots estimated at ±\$250,000 per finished lot. Home sizes are projected to range from 1,781 s.f. to 1,941 s.f.

In comparison to the subject, the location is considered to be inferior due to the general area and lack of being in a master-planned community; the bulk size of 24 lots is inferior; the minimum lot size of 3,000 s.f. is slightly larger; the raw physical condition at time of sale with only an approved tentative tract map is inferior; the lack of a CFD typically results in a higher finished lot price; and no adjustment for date of sale/market conditions is considered. Overall, upward adjustments for the inferior location, bulk size, physical condition and status of entitlements are only partially offset by downward adjustments for the slightly larger minimum lot size and lack of CFD, resulting in a firm lower limit indication of value for the subject at \$250,000 per finished lot.

In summary, on a finished lot basis the data supports a far lower limit indication of value at \$218,662; a closer but still firm lower limit indication at \$250,000; a close indication at \$275,000; a close upper limit indication at \$285,000; firm upper limit indications from \$300,000 to \$306,000; and far upper limit indications at \$311,273 and ±\$400,000 to \$410,000.

In addition, the data indicates finished lot ratios ranging from 35% to 48%, with the low end being a less desirable small bulk size and the high end reflecting conservative home pricing as well as good view potential thus view premiums on top of the average base pricing. Input obtained from several residential land brokers indicates supportable finished lot ratios in the range of 40-45%. Considering the mid-part of this range or a ratio of 42-43% and the average pricing of the subject homes at \$645,000, the following indication results:

$$\$645,000 \times 42-43\% \text{ finished lot ratio} = \$270,900 \text{ to } \$277,350/\text{finished lot}$$

The conclusion is a value of \$270,000 per lot for the subject lots as if in finished condition.

Then, builder information is that the lots are essentially in finished condition, other than remaining costs of \$19,500 to complete Prism Park and remaining development impact fees on 62 of the lots totaling \$2,087,072. In addition, there are remaining land development costs for the overall community of \$5,002,000 that will not be funded by the CFD bond proceeds, including items of environmental mitigation, landscape, erosion control, trails, recreation center, public park, street improvements, retaining walls and perimeter walls/fences. Allocated over the total of 149 vacant lots within Prism, Sandstone and Lake Ridge, this indicates an amount of \$33,570 per lot, or \$2,517,750 for the subject Prism 75 vacant lots.

Thus, the resulting residual value of the 75 vacant lots in the as is condition is calculated as follows:

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75 vacant lots, if in finished condition @ \$270,000/lot =	\$20,250,000
Less Remaining Cost Deductions:	
Prism Park:	- 19,500
Development impact fees:	- 2,087,072
Share of community land development costs:	- <u>2,517,750</u>
Residual Value, As Is Condition:	\$15,625,678
	Rd. \$15,625,000

Conclusion of Value

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

34 completed-closed homes @ \$645,000 =	\$21,930,000
19 completed-not closed homes @ \$530,000 =	\$10,070,000
6 homes under construction, 40% completed @ \$335,000 =	\$ 2,010,000
8 homes under construction, early stage @ \$270,000 =	\$ 2,160,000
75 vacant lots =	<u>\$15,625,000</u>
Value Indication, As Is:	\$51,795,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Prism product type, subject to the Assumptions and Limiting Conditions, and as of March 4, 2019:

\$51,795,000

(FIFTY-ONE MILLION SEVEN HUNDRED NINETY-FIVE THOUSAND DOLLARS)

SANDSTONE (PARDEE HOMES)

PROPERTY DATA

Location

This product type is located along portions of Weston Rd., Trailridge Ave. and Hightail Dr., northerly of where Hightail Dr. extends northwesterly from Weston Rd.; and the model homes plus parking area are located on the westerly side of Toyopa Ct. and backing to Weston Rd.

Record Owner/Ownership History

As of the March 4, 2019 date of value, individual homeowners owned 58 of the lots (Lots 42 to 80, 165, 168, 169 & 174 to 189) and Pardee Homes owned the remaining 23 lots (Lots 3 to 6, 123, 159 to 164, 166, 167, 170 to 173 & 195 to 200).

As previously indicated, Pardee Homes has owned the land for this overall Weston community for many years.

The sales of the 58 completed homes from Pardee Homes to the individual homeowners closed from June 25, 2018 through February 25, 2019 at net sale prices (inclusive of premiums and options, net of incentives) ranging from \$659,446 to \$855,824. In addition, as of the beginning of March 2019 there were 9 pending sales with sales of 5 completed homes due to close from March 8 through 29, 2019 and 4 homes yet to be built to close in September 2019.

Legal Description

The 81 lots comprising this product type are described as Lots 3 to 6, 42 to 80, 123 & 159 to 189 of Castlerock Units 1, 2, 3 and 4 in the City of Santee, County of San Diego, State of California, according to Map thereof No. 16155 filed in the Office of the County Recorder of San Diego County on December 13, 2016; and Lots 195 to 200 of Castlerock Unit 5 in the City of Santee, County of San Diego, State of California, according to Map thereof No. 16161 filed in the Office of the County Recorder of San Diego County on December 23, 2016.

Assessor Data-2018/19

This product type comprises the following Assessor Parcel Nos.:

366-091-01 to 04
366-092-13 to 45
366-093-01 to 06 & 34 to 45
366-094-12 & 27 to 45
366-051-06 to 11

PROPERTY DATA, Continuing

The current assessed values for each of the parcels are \$84,500 for land and \$0 for improvements, and it is evident that this does not reflect the current status of home construction and sales. The tax rate area is 016086 with an indicated tax rate of 1.16882%, but the total or effective tax rate, including special taxes for this CFD, is indicated by the builder to be approximately 1.5%.

No. of Lots/Lot Sizes

This product type comprises a total of 81 lots, with a minimum/typical pad size of $\pm 3,700$ s.f. (± 47 - $48'$ wide by ± 77 - $79'$ deep). Per Assessor data, the actual lot sizes range from 3,771 s.f. to 11,362 s.f. or an average of 5,838 s.f.

Description of Homes/Status of Construction

These lots are currently being developed by Pardee Homes with the product type of detached homes called Sandstone at Weston. As of the March 4, 2019 date of value, there were 58 completed-closed homes (Lots 42 to 80, 165, 168, 169 & 174 to 189); 11 completed-not closed homes including the 3 models (Lots 4 to 6, 159 to 164, 166 & 167)); no homes under construction; and 12 vacant lots that were in finished condition (Lots 3, 123 & 170 to 173 of Map 16155 and Lots 195 to 200 of Map 16161).

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

Plan 1: 2,311 to 2,323 s.f., two-story, with 2 to 4 bedrooms, 3 baths, den or optional bedroom 3, great room, dining area, kitchen with island, loft or optional bedroom 4, second floor laundry, and a 2-car garage; plus optional California room off of dining area and optional uncovered deck off of master bath above California room.

Plan 2: 2,472 to 2,478 s.f., two-story, with 3 to 5 bedrooms, 2.5 to 4 baths, den and half bath or optional bedroom 4 and full bath, large great room/dining area, kitchen with island, loft or optional bedroom 5 and bath 4, second floor laundry, and a 2-car garage; plus optional California room off of kitchen and optional uncovered deck off of master bath above California room.

Plan 3: 2,590 to 2,599 s.f., two-story, with 3 to 5 bedrooms, 2.5 to 4.5 baths, den or optional bedroom 4 and bath 3, great room, dining area, kitchen with island and pantry, loft or optional bedroom 5 and bath 4, second floor laundry, and a 2-car garage; plus optional California room off of great room and optional uncovered deck off of master bedroom above California room.

Per building permit data, the 69 completed homes range in size from 2,311 s.f. to 2,599 s.f., with average sizes of 2,491 s.f. for the 58 completed-closed homes and 2,470 s.f. for the 11 completed-not closed homes.

VALUATION

Method of Analysis

This is similar to the previous analysis of the Prism product type.

Analysis of Completed-Closed Homes

These are the 58 homes for which the builder sales closed from June 25, 2018 through February 25, 2019 at net sale prices ranging from \$659,446 to \$855,824, or an average of \$723,469 for the average home size of 2,491 s.f., or \$290.39 per s.f. Considering only the 9 sales that closed in 2019 the average price is lower at \$696,313 and for a slightly larger average home size of 2,511 s.f., or \$277.31 per s.f. The 9 pending sales indicate the average net price of \$716,185 for an average home size of 2,444 s.f., or \$293.04 per s.f. Considering just the 5 pending sales that are due to close in March 2019, the average net price is \$712,719 for an average home size of 2,460 s.f., or \$289.72 per s.f.

It is further considered that there were 51 sales (49 closed and 2 pending) that were negotiated through the end of September or through the third quarter of 2018 that indicated an average price of \$728,338 for an average home size of 2,487 s.f., or \$292.89 per s.f. In contrast, there were 12 sales (9 closed and 3 pending, excluding the 4 pending sales which are not due to close until September 2019) that were negotiated from October 2018 through late February 2019 that indicated the lower average price of \$698,299 but for the slightly larger average home size of 2,498 s.f., or \$279.56 per s.f. This reflects the softening in pricing that has occurred in more recent months.

Thus, the indication at \$723,469 supports a firm upper limit as an average for the 58 homes at current date, the indication at \$712,719 supports a close upper limit, and the indications at \$696,313 and \$698,299 support close indications at current date. On a price per s.f. basis, a supportable indication is slightly over \$279.56 per s.f. (due to the slightly larger average size) but well under \$289.72 per s.f. (due to the smaller average size), or a supportable range of \$281.00 to \$283.00 per s.f. which results in the following:

2,491 s.f. average @ \$281.00 to \$283.00/s.f. = \$699,971 to \$704,953

As previously discussed for the Prism product type, the 9 closed and pending sales that have been negotiated from October 2018 through late February 2019 indicate an average net price of \$646,256 for an average home size of 2,009 s.f., or \$321.68 per s.f. Due to the much smaller average home size and much smaller lot sizes, the average price of \$646,256 supports a far lower limit indication as an average for the subject Sandstone homes, and due to the much smaller average size the indication at \$321.68 per s.f. supports a far upper limit indication as follows:

2,491 s.f. average @ \$321.68/s.f. = \$801,305

VALUATION, Continuing

As discussed next in this report for the Talus product type, the 8 closed and pending sales (excluding the 4 pending sales not due to close until August 2019) that have been negotiated from November 2018 through late February 2019 indicate an average net price of \$774,023 for an average home size of 2,705 s.f., or \$286.13 per s.f. Due to the much larger average home size as well as the larger lot sizes and more desirable lot locations, the average price of \$774,023 supports a far upper limit indication as an average for the subject Sandstone homes. However, due to the much larger average size but offset by the larger sizes and superior lot locations, the indication at \$286.13 per s.f. supports a close upper limit indication as follows:

$$2,491 \text{ s.f. @ } \$286.13/\text{s.f.} = \$712,750$$

As discussed later in this report for the Lake Ridge product type, the 12 closed and pending sales that have been negotiated from October 2018 through mid-February 2019 indicate an average net price of \$832,996 for an average home size of 3,256 s.f., or \$255.80 per s.f. Again, due to the much larger average home size as well as more desirable lot locations, the average price of \$832,996 supports a far upper limit indication as an average for the subject Sandstone homes, and due to the much larger average size the indication at \$255.80 per s.f. supports a far lower limit indication as follows:

$$2,491 \text{ s.f. @ } \$255.80/\text{s.f.} = \$637,198$$

In summary, the indications of average value for the 58 completed-closed homes support far lower limit indications at \$637,198 and \$646,256; close indications from \$696,313 to \$704,953; close upper limit indications at \$712,719 and \$712,750; firm upper limits from \$716,185 to \$728,338; and far upper limit indications from \$774,023 to \$832,996. The conclusion is an average value of \$700,000 for the 58 completed-closed homes.

Analysis of Completed-Not Closed Homes

These 11 homes comprise the 3 model homes and 8 production homes of which there are pending sales on 5 of the homes that were due to close from March 8 to 29, 2019. The average size of these 11 homes is 2,470 s.f. which is slightly smaller than the average of 2,491 s.f. for the completed-closed homes.

Considering the slightly smaller average size, but offset by the premiums for the upgraded model homes, the initial value conclusion for these 11 homes is the same as for the completed-closed homes, or an average of \$700,000. Then, a discount of 17.5% has been applied due to the bulk ownership by the builder and reflecting sell-off time, holding/sales costs, minor finishing costs and profit. This results in an average value rounded to \$580,000 for the 11 completed-not closed homes.

VALUATION, Continuing

Analysis of Vacant Lots

This is similar to the previous analysis of the Prism product type, except that these Sandstone lots are larger and being developed with larger and higher-priced homes, though the bulk size of only 12 lots is less desirable. Thus, on a finished lot basis the sales data supports far lower limit indications of value for the Sandstone lots at \$218,662 and \$255,000, a closer but still firm lower limit indication at \$275,000, close indications to close upper limit indications from \$300,000 to \$306,000, and far upper limit indications at \$311,273 and ±\$400,000 to \$410,000. Considering a 42-43% finished lot ratio and average home pricing of \$700,000, the following indication results:

$$\$700,000 \times 42\text{-}43\% \text{ finished lot ratio} = \$294,000 \text{ to } \$301,000/\text{finished lot}$$

The conclusion is a value of \$295,000 per lot for the subject lots as if in finished condition. Then, there are no remaining costs specific to this product type and no remaining development impact fees. However, similar to the discussion for the Prism product type, the share of remaining land development costs for the community is \$33,570 per lot or an amount of \$402,840 for these 12 lots. Thus, the resulting value of the 12 vacant lots in the as is condition is calculated as follows:

12 vacant lots, as if finished condition @ \$295,000/lot =	\$3,540,000
Less share of community land development costs:	- 402,840
As Is Condition:	\$3,137,160
	Rd. \$3,140,000

Conclusion of Value

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

58 completed-closed homes @ \$700,000 =	\$40,600,000
11 completed-not closed homes @ \$580,000 =	\$ 6,380,000
12 vacant lots =	<u>\$ 3,140,000</u>
Value Indication, As Is:	\$50,120,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Sandstone product type, subject to the Assumptions and Limiting Conditions, and as of March 4, 2019:

\$50,120,000

(FIFTY MILLION ONE HUNDRED TWENTY THOUSAND DOLLARS)

WESTON



Talus

TALUS (TRI POINTE HOMES)

PROPERTY DATA

Location

This product type is located along Hightail Dr. from just westerly of Weston Rd. and extending northerly to near the intersection with Trailridge Ave. The models and parking lot are located along the southerly end of the Toyopa Ct. cul-de-sac, nearby to the southeast of Weston Rd.

Record Owner/Ownership History

As of the March 4, 2019 date of value, individual homeowners owned 33 of the lots (Lots 81 to 83, 86 to 104, 143 to 148, 150 to 152, 154 & 156) and TRI Pointe Homes, Inc. owned the remaining 30 lots (Lots 7 to 10, 84, 85, 124 to 142, 149, 153, 155, 157 & 158).

The ownership history was previously discussed for the Prism product type.

The sales of the 33 completed homes from TRI Pointe Homes, Inc. to the individual homeowners closed from July 10, 2018 through February 27, 2019 at net sale prices ranging from \$751,350 to \$948,778. In addition, as of the beginning of March 2019 there were 12 pending sales that were due to close from March 15, 2019 through August 15, 2019.

Legal Description

The 63 lots comprising this product type are described as Lots 7 to 10, 81 to 104 & 124 to 158 of Castlerock Units 1, 2, 3 and 4 in the City of Santee, County of San Diego, State of California, according to Map thereof No. 16155 filed in the Office of the County Recorder of San Diego County, December 13, 2016.

Assessor Data-2018/19

This product type comprises the following Assessor Parcel Nos.:

366-091-05 to 08
366-092-46 to 70
366-093-14 to 33
366-094-13 to 26

The current assessed values for each of the parcels are \$84,500 for land and \$0 for improvements, and it is evident that this does not reflect the current status of home construction and sales. The tax rate area is 016086 with an indicated tax rate of 1.16882%, but the total or effective tax rate, including special taxes for this CFD, is indicated by the builder to be approximately 1.5%.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This product type comprises a total of 63 lots, with a minimum/typical pad size of $\pm 5,000$ s.f. ($\pm 50'$ wide by $\pm 100'$ deep). Per Assessor Data the actual lot sizes range from 4,796 s.f. to 11,829 s.f. or an average of 6,613 s.f.

Description of Homes/Status of Construction

These lots are currently being developed by TRI Pointe Homes with the product type of detached homes called Talus at Weston. As of the March 4, 2019 date of value, there were 33 completed-closed homes (Lots 81 to 83, 86 to 104, 143 to 148, 150 to 152, 154 & 156); 13 completed-not closed homes including the 4 models (Lots 7 to 10, 84, 85, 141, 142, 149, 153, 155, 157 & 158); and 17 homes under construction of which 9 were indicated to be 90% completed (Lots 132 to 140) and 8 were in the very early stage of construction (Lots 124 to 131).

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

Plan 1: 2,522 s.f., two-story, with 3 to 4 bedrooms, 3 baths, den or optional bedroom 4, great room, dining area, kitchen with island and walk-in pantry, loft, second floor laundry, and a 2-car garage; plus optional California room off of great room and optional deck off of master bath above California room.

Plan 2: 2,695 s.f., two-story, with 4 bedrooms, 3 baths, great room, dining room, kitchen with island, large loft, second floor laundry, and a 2-car garage; plus optional California room off of great room and optional deck off of loft and master bedroom above California room.

Plan 3: 2,895 s.f., two-story, with 3 to 5 bedrooms, 3.5 baths, den or optional bedroom 4, great room, dining area, kitchen with island and walk-in pantry, loft or optional bedroom 5, second floor laundry, and a 2-car garage; plus optional California room off of kitchen and optional deck off of master bedroom and bath above California room.

Per building permit data, the 46 completed homes range in size from 2,522 s.f. to 2,895 s.f., with average sizes of 2,743 s.f. for the 33 completed-closed homes and 2,646 s.f. for the 13 completed-not closed homes.

VALUATION

Method of Analysis

This is similar to the previous analyses of the Prism and Sandstone product types.

Analysis of Completed-Closed Homes

These are the 33 homes for which the builder sales closed from July 10, 2018 through February 27, 2019 at net sale prices ranging from \$751,350 to \$948,778, or

VALUATION, Continuing

an average of \$827,420 for the average home size of 2,743 s.f., or \$301.63 per s.f. Considering only the 14 sales that closed from October 2018 and thereafter, the average price is slightly higher at \$830,644 but also for a larger average home size of 2,797 s.f., or the lower indication of \$296.98 per s.f. The 12 pending sales indicate the lower average net price of \$774,895 and for the slightly larger average home size of 2,752 s.f., or \$281.60 per s.f. Considering just the 8 pending sales that are due to close in March through May 2019, the average net price is lower at \$794,844 but for the smaller average home size of 2,705 s.f., or \$293.83 per s.f.

It is further considered that there were 33 sales (32 closed and 1 pending) that were negotiated through the end of September or through the third quarter of 2018 that indicated an average price of \$832,468 for an average home size of 2,743 s.f., or \$303.47 per s.f. In contrast, there were 8 sales (1 closed and 7 pending, excluding the 4 pending sales that are not due to close until August 2019) that were negotiated from late November 2018 through late February 2019 and indicated the lower average price of \$774,023 but also for the slightly smaller average home size of 2,705 s.f., or \$286.13 per s.f. This reflects the softening in pricing that has occurred in more recent months.

Thus, the indications from \$827,420 and \$832,468 support firm upper limits as an average value for the 33 homes at current date, the indication at \$794,844 supports a closer upper limit, and the indication at \$774,023 supports a firm lower limit for the 33 homes due to the smaller average home size. On a price per s.f. basis, a supportable indication is slightly under \$286.13 per s.f. (due to the slightly smaller average size), or a supportable range of \$284.00 to \$285.00 per s.f. which results in the following:

2,743 s.f. average @ \$284.00 to \$285.00/s.f. = \$779,012 to \$781,755

As previously discussed for the Prism product type, the 9 closed and pending sales that have been negotiated from October 2018 through late February 2019 indicate an average net price of \$646,256 for an average home size of 2,009 s.f., or \$321.68 per s.f. Due to the much smaller average home size and much smaller lot sizes, the average price of \$646,256 supports a far lower limit indication as an average for the subject Talus homes, and due to the much smaller average size the indication at \$321.68 per s.f. supports a far upper limit indication as follows:

2,743 s.f. average @ \$321.68/s.f. = \$882,368

Also as previously discussed for the Sandstone product type, the 12 closed and pending sales that have been negotiated from October 2018 through late February 2019 indicate an average net price of \$698,299 for an average home size of 2,498 s.f., or \$279.56 per s.f. Due to the much smaller average home size as well as the smaller lots and less desirable lot locations, the average price of ±\$698,000 supports a far lower limit indication as an average for the subject Talus homes. Due to the

VALUATION, Continuing

much smaller average size but offset by the inferior factors of smaller lot sizes and inferior lot locations, the indication at \$279.56 per s.f. supports a closer but still lower limit indication as follows:

$$2,743 \text{ s.f. @ } \$279.56/\text{s.f.} = \$766,833$$

As discussed next for the Lake Ridge product type, the 12 closed and pending sales that have been negotiated from October 2018 through mid-February 2019 indicate an average net price of \$832,996 for an average home size of 3,256 s.f., or \$255.80 per s.f. Due to the much larger average home size as well as the slightly larger lot sizes, the average price of \pm \$833,000 supports a far upper limit indication as an average for the subject Talus homes, and due to the much larger average size the indication at \$255.80 per s.f. supports a far lower limit indication as follows:

$$2,743 \text{ s.f. @ } \$255.80/\text{s.f.} = \$701,659$$

In summary, the indications of average value for the 33 completed-closed homes support far lower limit indications from \$646,256 to \$701,659; closer but still firm lower limit indications at \$766,833 and \$774,023; close indications at \$779,012 and \$781,755; firm upper limit indications from \$794,844 to \$832,468; and far upper limit indications at \$832,996 and \$882,368. The conclusion is an average value of \$780,000 for the 33 completed-closed homes.

Analysis of Completed-Not Closed Homes

These 13 homes comprise the 4 model homes and 9 completed production homes. There are pending sales on 4 of the production homes, 2 of which are due to close in March, with the others due to close in April and May. The average home size is 2,646 s.f. which is much smaller than the average of 2,743 s.f. for the completed-closed homes. Considering the much smaller average home size, partially offset by the well-upgraded condition of the model homes, the initial value conclusion is lower than for the completed-closed homes, or an average of \$765,000 (\$289.12 per s.f.). Then, a discount of 17.5% has been applied due to the bulk ownership by the builder and reflecting sell-off time, holding/sales costs, minor finishing costs and profit. This results in an average value rounded to \$630,000 for the 13 completed-not closed homes.

Analysis of Homes Under Construction

For the 9 homes that were indicated to be 90% completed, I have considered a cost amount of 90% of direct costs indicated to be \pm \$72.50 per s.f., or \$65.25 per s.f. on the average home size of 2,704 s.f. for these 9 homes, or a rounded amount of \$175,000. This is added to the estimated value of \$325,000 for the vacant lot in finished condition, as discussed next, resulting in a total of \$500,000 as an average for these 9 homes.

VALUATION, Continuing

For the 8 homes that were in the early stage of construction, these 8 homes are allocated land value only, or the average of \$325,000 as a vacant lot in finished condition.

Analysis of Vacant Lot Value

This is similar to the previous analyses of the Prism and Sandstone product types, except that the Talus lots are much larger and being developed with larger and higher-priced homes. Thus, on a finished lot basis the land sales data supports far lower limit indications of value from \$218,662 to \$306,000, a closer but still firm lower limit indication at \$311,273, and a far upper limit indication at ±\$400,000 to \$410,000. Considering a slightly lower finished lot ratio of 41-42% due to the higher-priced homes, and the average home pricing of \$780,000, the following indication results:

$$\$780,000 \times 41-42\% \text{ finished lot ratio} = \$319,800 \text{ to } \$327,600/\text{finished lot}$$

The conclusion is a value of \$325,000 per lot for the subject lots in finished condition, and as applicable to the lot value for the homes under construction, assuming no remaining land development costs and with no remaining development impact fees.

Conclusion of Value

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

33 completed-closed homes @ \$780,000 =	\$25,740,000
13 completed-not closed homes @ \$630,000 =	\$ 8,190,000
9 homes under construction, 90% completed @ \$500,000 =	\$ 4,500,000
8 homes under construction, early stage @ \$325,000 =	<u>\$ 2,600,000</u>
Value Indication, As Is:	\$41,030,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Talus product type, subject to the Assumptions and Limiting Conditions, and as of March 4, 2019:

\$41,030,000

(FORTY-ONE MILLION THIRTY THOUSAND DOLLARS)

WESTON



Lake Ridge

MAST BOULEVARD

LAKE RIDGE (PARDEE HOMES)

PROPERTY DATA

Location

This product type is located all along the easterly sides of Weston Rd. and Trailridge Ave., and along the southerly side of Trailridge Ave and both sides of West Bluff Pl. and Trailmark Way. The models and parking lot are located along the northeasterly side of Toyopa Ct., southeasterly from Weston Rd.

Record Owner/Ownership History

As of the March 4, 2019 date of value, individual homeowners owned 45 of the lots (Lots 15 to 41 & 105 to 122 of Map 16155) and Pardee Homes owned the remaining 84 lots (Lots 11 to 14 of Map 16155, Lots 190 to 194, 217 to 221 & 275 of Map 16161, and Lots 201 to 216 & 222 to 274 of Map 16303).

The ownership history was previously discussed for the other product types.

The sales of the 45 completed homes from Pardee Homes to the individual homeowners closed from August 3, 2018 through March 1, 2019 at net sale prices ranging from \$780,000 to \$1,131,711. In addition, as of the beginning of March 2019 there were 14 pending sales that were due to close from March 7 through July 31, 2019.

Legal Description

The 129 lots comprising this product type are described as Lots 11 to 41 & 105 to 122 of Castlerock Units 1, 2, 3 and 4 in the City of Santee, County of San Diego, State of California, according to Map thereof No. 16155 filed in the Office of the County Recorder of San Diego County on December 13, 2016; Lots 190 to 194, 217 to 221 & 275 of Castlerock Unit 5 in the City of Santee, County of San Diego, State of California, according to Map thereof No. 16161 filed in the Office of the County Recorder of San Diego County on December 23, 2016; and Lots 201 to 216 & 222 to 274 in the City of Santee, County of San Diego, State of California, according to Map thereof No. 16303 filed in the Office of the County Recorder of San Diego County on September 14, 2018.

Assessor Data-2018/19

This product type comprises the following Assessor Parcel Nos.:

366-091-09 to 27	366-051-01 to 05 & 12 to 52
366-092-01 to 12	366-052-01 to 07
366-093-07 to 13	366-053-01 to 27
366-094-01 to 11	

PROPERTY DATA, Continuing

The current assessed values for each of the parcels are \$84,500 for land and \$0 for improvements, and it is evident that this does not reflect the current status of home construction and sales. The tax rate area is 016086 with an indicated tax rate of 1.16882%, but the total or effective tax rate, including special taxes for this CFD, is indicated by the builder to be approximately 1.5%.

No. of Lots/Lot Sizes

This product type comprises a total of 129 lots, with a minimum/typical pad size of $\pm 5,500$ s.f. (± 50 - $55'$ wide by ± 105 - $110'$ deep). Per Assessor data, the actual lot sizes range from 5,480 s.f. to 13,136 s.f. or an average of 6,848 s.f., but including some side and/or rear slope areas.

Description of Homes/Status of Construction

These lots are currently being developed by Pardee Homes with the product type of detached homes called Lake Ridge at Weston. As of the March 4, 2019 date of value, there were 45 completed-closed homes (Lots 15 to 41 & 105 to 122 of Map 16155); 8 completed-not closed homes including the 3 models (Lots 11 to 13 of Map 16155 and Lots 190 to 194 of Map 16161); 14 homes under construction that were indicated to be 50% completed (Lots 201 to 208 & 229 to 234 of Map 16303); and 62 vacant lots that were in physically finished condition (Lot 14 of Map 16155, Lots 217 to 221 & 275 of Map 16161 and Lots 209 to 216, 222 to 228 & 235 to 274 of Map 16303).

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

Plan 1: 2,396 to 2,576 s.f., one-story, with 3 bedrooms, 2.5 baths, great room/dining area, kitchen with island, loggia off the great room/dining area, and a 3-car tandem garage; in lieu of the tandem 3rd car garage is optional storage/play room, craft room, exercise room or expanded walk-in closet off of master, or expanded laundry area.

Plan 2: 3,150 to 3,343 s.f., two-story, with 4 to 5 bedrooms, 3.5 to 4 baths, great room, dining area, kitchen with island, loggia off of the great room and dining area, and a 3-car tandem garage; optional bedroom 4 or junior master bedroom on first floor; optional office or bedroom 5 plus bath 4; optional craft or storage/play room in lieu of 3rd car tandem garage area.

Plan 3: 3,390 to 3,622 s.f., two-story, with 4 to 5 bedrooms, 4.5 baths, great room/dining area, kitchen with island, loggia off of great room with optional deck above off of master; loft or optional bedroom 5; optional craft room or storage/play room in lieu of 3rd car tandem garage area.

Plan 4: 3,745 to 3,936 s.f., two-story, with 4 to 6 bedrooms, 4.5 baths, great room/dining area, nook, kitchen with island, loggia off of great room and optional deck above off of master; optional bedroom 5 in lieu of office; optional bedroom 6 in lieu of second floor bonus room; and optional craft room or storage/play room in lieu of 3rd car tandem garage area.

PROPERTY DATA, Continuing

Per building permit data, the 53 completed homes range in size from 2,396 s.f. to 3,936 s.f., with average sizes of 3,165 s.f. for the 45 completed-closed homes and 3,266 s.f. for the 8 completed-not closed homes.

VALUATION

Method of Analysis

This is similar to the previous analyses.

Analysis of Completed-Closed Homes

These are the 45 homes for which the builder sales closed from August 3, 2018 through March 1, 2019 at net sale prices ranging from \$780,000 to \$1,131,711, or an average of \$901,880 for the average home size of 3,165 s.f., or \$284.95 per s.f. Considering only the 11 sales that have closed in 2019, the average price is higher at \$948,574 and for the slightly smaller average home size of 3,136 s.f., or \$302.45 per s.f. However, the 14 pending sales indicate a much lower average net price of \$867,957 and for the larger average home size of 3,381 s.f., or \$256.68 per s.f. Considering just the 5 pending sales that are due to close in March 2019, the average net price is \$901,030 for an average home size of 3,122 s.f., or \$288.61 per s.f.

It is further considered that there were 47 sales (42 closed and 5 pending) that were negotiated through the end of September or through the third quarter of 2018 that indicated an average price of \$909,363 for an average home size of 3,206 s.f., or \$283.63 per s.f. In contrast, there were 12 sales (3 closed and 9 pending) that were negotiated in October 2018 through mid-February 2019 that indicated the much lower average price of \$832,996 but for the larger average home size of 3,256 s.f., or \$255.80 per s.f. This reflects the softening in pricing that has occurred in more recent months.

Thus, the indications at \$901,880 and \$948,574 support far upper limits as an average for the 45 homes at current date. In addition, the indication at \$867,957 supports a closer but still firm upper limit due to the larger average home size, and the indication at \$832,996 supports a close upper limit indication due to the slightly larger average home size. On a price per s.f. basis, a supportable indication is over \$255.80 and \$256.68 per s.f. (due to the larger average size) but far under \pm \$285 per s.f., or a supportable range of \$260.00 to \$265.00 per s.f. which results in the following:

3,165 s.f. average @ \$260.00 to \$265.00/s.f. = \$822,900 to \$838,725

As previously discussed for the Sandstone product type, the 12 closed and pending sales that have been negotiated from October 2018 through late February 2019 indicate an average net price of \$698,299 for an average home size of 2,498 s.f., or

VALUATION, Continuing

\$279.56 per s.f. Due to the much smaller average home size as well as the much smaller lots and less desirable lot locations, the average price of \$698,299 supports a far lower limit indication as an average for the subject Lake Ridge homes. However, due to the much smaller average size but partially offset by the much smaller lots and inferior lot locations, the indication at \$279.56 per s.f. supports a firm upper limit indication as follows:

$$3,165 \text{ s.f. @ } \$279.56/\text{s.f.} = \$884,807$$

Also as previously discussed for the Talus product type, the 8 closed and pending sales that have been negotiated from November 2018 through late February 2019 indicate an average net price of \$774,023 for an average home size of 2,705 s.f., or \$286.13 per s.f. Due to the smaller average home size as well as the slightly smaller lot sizes, the average price of \$774,023 supports a firm lower limit indication as an average for the subject Lake Ridge homes, and due to the smaller average size the indication at \$286.13 per s.f. supports a far upper limit indication as follows:

$$3,165 \text{ s.f. @ } \$286.13/\text{s.f.} = \$905,601$$

In summary, the indications of average value for the 45 completed-closed homes support a far lower limit indication at \$698,299; a closer but still firm lower limit indication at \$774,023; a close indication from \$822,900 to \$838,725; a close upper limit indication at \$832,996; firm upper limit indications at \$867,957 and \$884,807; and far upper limit indications from \$905,601 to 948,574. The conclusion is an average value of \$830,000 for the 45 completed-closed homes.

Analysis of Completed-Not Closed Homes

These 8 homes comprise the 3 model homes plus 5 production homes for which there were pending sales on all 5 homes that were due to close from March 7 through 15, 2019. The average home size is 3,266 s.f. for these 8 homes which is larger than the average of 3,165 s.f. for the completed-closed homes.

Considering the larger average size and also that 3 of the homes are the upgraded models, the initial value conclusion for these 8 homes is concluded to be slightly higher than for the completed-closed homes, or an average of \$845,000. Then, a discount of 17.5% has been applied due to the bulk ownership by the builder and reflecting holding/sales costs, minor finishing costs and profit. This results in an average value rounded to \$695,000 for the 8 completed-not closed homes.

Analysis of Homes Under Construction

For the 14 homes that were indicated to be 50% completed, I have considered a cost amount of 50% of direct costs indicated to be an average of ±\$84.00 per s.f., or \$42.00 per s.f. on the average home size of 3,494 s.f. for these 14 homes, or a

VALUATION, Continuing

rounded amount of \$150,000. This is added to the estimated value of \$345,000 for the vacant lot in finished condition, as discussed next, resulting in a total of \$495,000 as an average for these 14 homes.

Analysis of Vacant Lots

This is similar to the previous analyses, except that these Lake Ridge lots are also larger and being developed with larger and higher-priced homes. Thus, similar to the discussion for the previous Talus lots, the land sales data supports well over \$311,273 per finished lot but well under \pm \$400,000 to \$410,000 per finished lot. Considering a finished lot ratio of 41-42% and average home pricing of \$830,000, the following indication results:

$$\$830,000 \times 41\text{-}42\% \text{ finished lot ratio} = \$340,300 \text{ to } \$348,600/\text{finished lot}$$

The conclusion is a value of \$345,000 per lot for the subject lots as if in finished condition. Then, there are remaining development impact fees on 35 of the lots totaling \$1,734,816. In addition, similar to the previous discussion for the Prism product type, the share of remaining community land development costs of \$33,570 indicates an allocation of \$2,081,340 on these 62 lots. Thus, the resulting residual value of the 62 vacant lots in the as is condition is calculated as follows:

62 vacant lots, in finished condition @ \$345,000/lot =	\$21,390,000
Less remaining development impact fees:	- 1,734,816
Less share of community land development costs:	- 2,081,340
Residual Value, As Is Condition:	\$17,573,844 Rd. \$17,570,000

Conclusion of Value

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

45 completed-closed homes @ \$830,000 =	\$37,350,000
8 completed-not closed homes @ \$695,000 =	\$ 5,560,000
14 homes under construction, 50% completed @ \$495,000 =	\$ 6,930,000
62 vacant lots =	<u>\$17,570,000</u>
Value Indication, As Is:	\$67,410,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Lake Ridge product type, subject to the Assumptions and Limiting Conditions, and as of March 4, 2019:

\$67,410,000

(SIXTY-SEVEN MILLION FOUR HUNDRED TEN THOUSAND DOLLARS)

ADDENDA

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

PROFESSIONAL EXPERIENCE

Real Estate Appraiser since 1976.

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

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

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

PROFESSIONAL ORGANIZATIONS

Member, Appraisal Institute; MAI designation obtained 1985

Affiliate Member, Pacific West Association of Realtors

LICENSES

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

EDUCATION

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

Appraisal Institute Courses:

Basic Appraisal Principles, Methods and Techniques

Capitalization Theory and Techniques

Urban Properties

Litigation Valuation

Standards of Professional Appraisal Practice

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

COURT/TESTIMONY EXPERIENCE

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

TYPES OF PROPERTY APPRAISED

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

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

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

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

QUALIFICATIONS, Page 2

CLIENT LIST

Corporations:

Aera Energy
British Pacific Properties
BSI Consultants
Crown Central Petroleum
Firestone Building Materials
Foodmaker Realty Corp.
Greyhound Lines
Holiday Rambler Corp.
International Baking Co.
Johnson Controls
Kampgrounds of America
Knowlwood Restaurants
La Habra Products, Inc.

MCP Foods
Merrill Lynch Relocation
Orangeland RV Park
Pacific Scientific
Penhall International
Pic 'N Save Stores
Sargent-Fletcher Co.
Shell-Western E&P
Southern Distributors Corp.
Southern California Edison
The Home Depot
Tooley and Company
Wastewater Disposal Co.

Developers:

Brighton Homes
Brookfield
Citation Builders
Davison-Ferguson Investment Devel.
D.T. Smith Homes
Irvine Company
Kathryn Thompson Developers

Mark Taylor, Inc.
Mission Viejo Co.
Premier Homes
Presley Homes
Rockefeller & Associates
Taylor Woodrow Homes
Unocal Land & Development

Law Firms:

Baldikoski, Klotz & Dragonette
Best, Best & Krieger LLP
Bowie, Arneson, Wiles & Giannone
Bradshaw, John
Bye, Hatcher & Piggott
Callahan, McCune & Willis
Cooksey, Coleman & Howard
Hamilton & Samuels
Horgan, Rosen, Beckham & Coren
Kent, John
Kirkland & Ellis
Latham & Watkins LLP
McKee, Charles C.
Mosich, Nicholas J.
Long, David M.
Nossaman, Guthner, Knox & Elliott, LLP

Oliver, Barr & Vose
Ollestad, Freedman & Taylor
Palmieri, Tyler, Wiener, Wilhelm &
Waldron LLP
Paul, Hastings, Jonofsky &
Walker LLP
Piggott, George B.
Pothier, Rose
Rosenthal & Zimmerman
Rutan & Tucker, LLP
Sikora & Price, Inc.
Smith & Politiski
Williams, Gerold G.
Woodruff, Spradlin & Smart, P.C.
Yates, Sealy M.

Financial Institutions:

Ahmanson Trust Company
Barclays Bank
Chino Valley Bank
Continental Bank
First Interstate Mortgage
First Niagara Bank
First Wisconsin Bank

NorthMarq
Pacific Western Bank
San Clemente Savings & Loan
Security Pacific Bank
Sunwest Bank
United Calif. Savings Bank
Washington Square Capital

QUALIFICATIONS, Page 3

Cities:

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

Counties:

County of Orange

County of Riverside

Other Governmental:

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

School Districts:

Alvord Unified School Dist.	Newhall School Dist.
Anaheim Union High School Dist.	Newport-Mesa Unified School Dist.
Anaheim City School Dist.	Orange Unified School Dist.
Banning Unified School Dist.	Palm Springs Unified School Dist.
Beaumont Unified School Dist.	Placentia-Yorba Linda Unified Dist.
Capistrano Unified School Dist.	Poway Unified School Dist.
Castaic Union School Dist.	Rialto Unified School Dist.
Cypress School Dist.	Romoland School Dist.
Etiwanda School Dist.	Saddleback Valley Unif. School Dist.
Fullerton College	San Jacinto Unified School Dist.
Fullerton Joint Union High School Dist.	Santa Ana Unified School Dist.
Fullerton School Dist.	Saugus Union School Dist.
Garden Grøve Unified School Dist.	So. Orange Cnty. Comm. College Dist.
Irvine Unified School Dist.	Westside Union School Dist.
Lake Elsinore Unified School Dist.	William S. Hart Union High Schl. Dist.
Moreno Valley Unified School Dist.	Victor Elementary School Dist.

Churches/Church Organizations:

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

Other:

Biola University	Garden Grove Boys' Club
Cedars-Sinai Medical Center	The Sheepfold

APPENDIX I
ABSORPTION ANALYSIS

MARKET ABSORPTION STUDY

COMMUNITY FACILITIES DISTRICT NO. 2017-1
(WESTON INFRASTRUCTURE)

PREPARED FOR:
CITY OF SANTEE, CALIFORNIA

PREPARED BY:
EMPIRE ECONOMICS, INC.
JOSEPH T. JANCZYK Ph.D.

FEBRUARY 20, 2019
(Revised April 4, 2019)