



OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER SAN MARCOS REDEVELOPMENT AGENCY

AGENDA SPECIAL MEETING

THURSDAY, SEPTEMBER 14, 2017, 9:00 a.m.
City of San Marcos – City Council Chamber
1 Civic Center Drive, San Marcos, CA 92069

Cell Phones: As a courtesy to others, please silence your cell phone or pager during the meeting and engage in conversations outside the building.

Americans with Disabilities Act: If you need special assistance to participate in this meeting, please contact the City Clerk at (760) 744-1050, ext. 3145.

Public Comment: If you wish to address the Board, please complete a “Request to Speak” form. Comments are limited to THREE minutes. The Oral Communication segment of the agenda is for the purpose of allowing the public to address the Board on any matter NOT listed on the agenda. The Board is prohibited by state law from taking action on items NOT listed on the Agenda. However, they may refer the matter to staff for a future report and recommendation. Speakers are asked to fill out a “Request to Speak” form and hand it to staff, although provision of a name, address, or other identifying information is optional.

Agendas: State law requires that the agenda for regular meetings be posted a minimum of 72 hours prior to the meeting and for special meetings a minimum of 24 hours prior to the meeting. The agenda and supporting material (agenda packet) will be available at the City Clerk Department located on the second floor of City Hall, 1 Civic Center Drive, San Marcos, during normal business hours and an electronic version will also be posted online at www.san-marcos.net.

Agenda-related writings or documents provided to a majority of the Board will be available for public inspection at the time of distribution in the City Clerk Department located on the second floor of City Hall, 1 Civic Center Drive, San Marcos, CA during normal business hours. The same materials are also posted online at www.san-marcos.net as time permits.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

ORAL COMMUNICATIONS

ACTION ITEMS

ACTION

- | | | |
|----|---|---------|
| 1. | APPROVAL OF MINUTES – JANUARY 31, 2017 SPECIAL MEETING | APPROVE |
| 2. | ISSUANCE OF REFUNDING BONDS OF THE SUCCESSOR AGENCY | APPROVE |

STAFF COMMENTARY

BOARD MEMBER COMMENTARY

ADJOURNMENT

AFFIDAVIT OF POSTING

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO) ss.
CITY OF SAN MARCOS)

I, Phillip Scollick, Clerk of the Oversight Board of the Successor Agency to the Former San Marcos Redevelopment Agency, hereby certify that I caused the posting of this agenda in the glass display case at the north entrance of City Hall and on the City's website on September 7, 2017, at 5:30 p.m.



PHILLIP SCOLLICK, BOARD CLERK



OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER SAN MARCOS REDEVELOPMENT AGENCY

MINUTES SPECIAL MEETING

Tuesday, January 31, 2017
City of San Marcos – City Council Chamber
1 Civic Center Drive, San Marcos, CA 92069

CALL TO ORDER – Chair Van Wey called the meeting to order at 9:01 a.m.

PLEDGE OF ALLEGIANCE – Chair Van Wey led the Pledge of Allegiance.

ROLL CALL

PRESENT: BOARD MEMBERS: JONES, SCHIEL, SIMMONS, VAN WEY
ABSENT: BOARD MEMBERS: GITTINGS, MALONE, PEREZ

ORAL COMMUNICATIONS

No members of the public requested to speak.

ACTION ITEMS

1. APPROVAL OF MINUTES – JANUARY 27, 2016 SPECIAL MEETING

MOVED BY BOARDMEMBER SIMMONS, SECONDED BY BOARDMEMBER JONES, TO APPROVE THE MINUTES OF THE JANUARY 27, 2016 SPECIAL OVERSIGHT BOARD MEETING AS PRESENTED.

AYES: BOARD MEMBERS: JONES, SCHIEL, SIMMONS, VAN WEY
NOES: BOARD MEMBERS: NONE
ABSENT: BOARDMEMBERS: GITTINGS, MALONE, PEREZ

2. REDEVELOPMENT LAW UPDATE

ROCHA provided the staff report dated 1/31/17.

BOARD comments included having a process in place for quickly securing legal services in the event the need arises.

BY CONSENSUS THE REPORT WAS NOTED AND FILED.

3. SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR ROPS 17-18

ROCHA provided the staff report dated 1/31/17 and responded to the overall decrease in administrative costs from the previous years.

BOARD comments included the comparison of administrative costs over last year's and the overall legal cap on costs.

MOVED BY BOARDMEMBER SIMMONS, SECONDED BY BOARDMEMBER JONES, TO APPROVE ADMINISTRATIVE BUDGET RESOLUTION 2017-036, AS PRESENTED.

AYES:	BOARD MEMBERS:	JONES, SCHIEL, SIMMONS, VAN WEY
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARDMEMBERS:	GITTINGS, MALONE, PEREZ

4. RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR ROPS 17-18

ROCHA provided the staff report dated 1/31/17 and responded that through the audit process that actual budget projections would be calculated.

BOARD comments included the preparation of budget projects versus actual budget.

MOVED BY BOARDMEMBER SCHIEL, SECONDED BY BOARDMEMBER VAN WEY, TO APPROVE ROPS PAYMENT SCHEDULE RESOLUTION 2017-037, AS PRESENTED.

AYES:	BOARD MEMBERS:	JONES, SCHIEL, SIMMONS, VAN WEY
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARDMEMBERS:	GITTINGS, MALONE, PEREZ

STAFF COMMENTARY

STAFF provided an update on the dissolution process and stated that the next meeting would occur in early 2018 to approve the ROPS and possibly later in 2017 to refinance some bonds.

BOARD MEMBER COMMENTARY

There was no board commentary.

ADJOURNMENT – Chair Van Wey adjourned the meeting at 9:12 a.m.

BRETT VAN WEY, VICE CHAIR
Oversight Board of the Successor Agency to
the Former San Marcos Redevelopment Agency

ATTEST:

PHILLIP SCOLLICK, BOARD CLERK
Oversight Board of the Successor Agency to
the Former San Marcos Redevelopment Agency



OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER SAN MARCOS REDEVELOPMENT AGENCY

STAFF REPORT

MEETING DATE: September 14, 2017

SUBJECT: Resolution of the Oversight Board approving the issuance of refunding bonds of the Successor Agency

Recommendation

That the Oversight Board of the Successor Agency to the San Marcos Redevelopment Agency (the “**Oversight Board**”), adopt a resolution approving the issuance of refunding bonds of the Successor Agency to the San Marcos Redevelopment Agency (the “**Successor Agency**”), making certain determinations with respect to the refunding bonds and providing for other matters related thereto.

Background

The former San Marcos Redevelopment Agency issued its \$52,805,000 Housing Set-Aside Tax Allocation Bonds, Series 2010 (Taxable) for affordable housing and associated purposes (the “**Prior Bonds**”). Staff and consultants estimate that refinancing of the Prior Bonds will reduce the collective debt service by approximately \$14.07 million through October 1, 2030, based on current market conditions as of August 8, 2017.

The dissolution law provides that such refinancing are subject to the approval of the Successor Agency, Oversight Board, and the Department of Finance. The proposed action starts this process. If the Prior Bonds are refinanced, any savings accrued will increase the amount of residual property tax (previously known as tax increment) available for distribution to the taxing entities.

Discussion

Section 34177.5 of the California Health and Safety Code authorizes the Successor Agency to issue refunding bonds for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1). The issuance of refunding bonds is subject to the approval of the Oversight Board and ultimately the review and approval of the Department of Finance. On September 12, 2017, a resolution was submitted and adopted by the Successor Agency authorizing, among other things, the issuance of refunding bonds. A copy of the agenda packet to the Successor Agency is attached and incorporated herein.

Successor Agency Staff has determined, in consultation with its Financial Advisor, that the current bond market conditions are favorable for the issuance of the refunding bonds to refinance the Prior Bonds. The attached Debt Service Savings Analysis Report estimated average annual debt service savings, based on market conditions as of August 8, 2017, to be approximately \$1.08 million per year beginning in 2018 and continuing through the final maturity of the Prior Bonds in 2030. Any debt service savings

as a result of the refunding will increase the amount of residual redevelopment tax increment revenues that can be distributed to all the taxing entities, including, but not limited to, the City, San Marcos Fire Protection District and San Marcos Unified School District.

Approval of the attached Resolution will:

1. Make the determination that there is significant potential savings to the Successor Agency and applicable taxing entities in compliance with the Savings Parameters, as defined in the attached resolution, by the issuance of the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017 (the “Refunding Bonds”);
2. Approve the issuance of the Refunding Bonds;
3. Make the following determinations:
 - a. The Successor Agency is authorized to recover costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds;
 - b. The application of proceeds of the Refunding Bonds by the Successor Agency to the refunding and defeasance of all or a portion of the Prior Bonds shall be implemented by the Successor Agency promptly upon the sale and delivery of the Refunding Bonds; and
 - c. The Successor Agency will be entitled to receive its full Administrative Cost Allowance without any deductions with respect to continuing costs related to the Refunding Bonds. In addition, if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall be entitled to recover its costs incurred with respect to the refunding proceedings without reduction in its Administrative Cost Allowance.
4. Approves agreements and other actions of the Successor Agency related to the issuance of the Refunding Bonds without the need for any further approval from the Oversight Board.

Refunding Process

It is anticipated that the refunding will take approximately 4 months to complete. The key milestones to complete the refunding are identified below:

- Successor Agency approving resolution to refund the Prior Bonds and approving legal documents (**September 12, 2017-Completed**)
- Oversight Board’s approval of Successor Agency action to issue the Refunding Bonds and make determination of savings (**Today’s Action**)
- Submission of resolutions of both the Successor Agency and Oversight Board and all the related documents to the Department of Finance (September 15, 2017)
- Secure underlying credit ratings and debt service reserve fund surety (November 2017)
- Receive Department of Finance’s Approval (November 2017)
- Successor Agency approval of the Preliminary Official Statement and remaining financing documents (November 2017)
- Negotiated sale of Bonds (November 2017)
- Bond Closing (December 2017)
- Defeasance and redemption of outstanding 2010 Bonds (October 2020)

Staff recommends that the Oversight Board approve the resolution.

Fiscal Impact

The attached Debt Service Savings Analysis Report, based on market conditions as of August 8, 2017, shows the refinancing of the Prior Bonds is projected to generate net present value savings of approximately \$6.4 million over the life of the indebtedness. The average annual savings are projected to be approximately \$1,082,272 beginning in 2018 and continuing through the Refunding Bonds final maturity in 2030. The term of the Refunding Bonds is the same as the original term of the currently outstanding indebtedness and will not be extended. Any debt service savings as a result of the refunding will increase the amount of the residual redevelopment tax increment revenues that can be distributed to all the taxing entities, including, but not limited to the City, San Marcos Fire Protection District and San Marcos Unified School District.

Attachment(s)

Resolution Approving Issuance of Refunding Bonds
Debt Service Savings Analysis Report
Projected Savings Allocation
September 12, 2017 Agenda Packet to the Successor Agency

Prepared by:



Laura Rocha, Finance Director

RESOLUTION NO. OBRDA 2017- _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR
AGENCY TO THE FORMER SAN MARCOS REDEVELOPMENT
AGENCY, APPROVING THE ISSUANCE OF REFUNDING BONDS,
MAKING CERTAIN DETERMINATIONS WITH RESPECT TO THE
REFUNDING BONDS AND PROVIDING FOR OTHER MATTERS
RELATING THERETO

WHEREAS, the former San Marcos Redevelopment Agency (the “Former Agency”) was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (the “Redevelopment Law”);

WHEREAS, prior to its dissolution, the Former Agency incurred certain bond indebtedness and other indebtedness described below pursuant to the Redevelopment Law;

WHEREAS, pursuant to Section 34173 of the California Health and Safety Code (unless otherwise noted, all Section references hereinafter being to such Code), the City Council has elected to assume the activities and obligations of the Former Agency, as the Successor Agency to the San Marcos Redevelopment Agency (the “Successor Agency”);

WHEREAS, prior to the dissolution of the Former Agency, the Former Agency issued its \$52,805,000 San Marcos Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2010 (Taxable) (the “Prior Bonds”) for the purpose of financing a portion of the costs of low and moderate income housing projects within or of benefit to the redevelopment plans (the “Redevelopment Plans”) for the San Marcos Redevelopment Project Area Nos. 1, 2 and 3 (the “Project Areas”);

WHEREAS, pursuant to Section 34179, this Oversight Board has been established for the Successor Agency;

WHEREAS, Section 34177.5 authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Refunding Law”) to refund the bonds or other indebtedness of the Successor Agency for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the “Savings Parameters”);

WHEREAS, to determine compliance with the Savings Parameters for purposes of the issuance by the Successor Agency of the Successor Agency to the San Marcos Redevelopment

Agency Taxable Tax Allocation Refunding Bonds, Series 2017 (the “Refunding Bonds”), the Successor Agency has caused its municipal advisor, Fieldman, Rolapp & Associates, Inc. (the “Municipal Advisor”), to prepare an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of the proceeds of the Refunding Bonds to refund all or a portion of the Prior Bonds (the “Debt Service Savings Analysis”);

WHEREAS, the Debt Service Savings Analysis of the Municipal Advisor has concluded that such refunding will meet the required Savings Parameters;

WHEREAS, based upon the Debt Service Savings Analysis, the Successor Agency by its Resolution No. SA 2017 - __ adopted September 12, 2017 (the “Successor Agency Resolution”) approved the issuance of the Refunding Bonds pursuant to Section 34177.5(a)(1), Section 34177.5(f) and Section 34180;

WHEREAS, in the Successor Agency Resolution, the Successor Agency approved the issuance of the Refunding Bonds and authorized the execution and delivery of a First Supplemental Indenture of Trust (the “First Supplemental Indenture”), expected to be dated the first day of the month such Refunding Bonds are issued, by and between the Successor Agency and MUFG Union Bank, N.A., as trustee (the “Trustee”), to amend and supplement the Indenture of Trust, dated as of July 1, 2015 (as amended and supplemented by the First Supplemental Indenture, the “Indenture”), to provide for the issuance of the Refunding Bonds on a parity with the Successor Agency’s Tax Allocation Refunding Bonds, Series 2015A and the Successor Agency’s Taxable Tax Allocation Refunding Bonds, Series 2015B previously issued pursuant to the Indenture;

WHEREAS, in the Successor Agency Resolution, the Successor Agency also requested that this Oversight Board approve the issuance of the Refunding Bonds pursuant to the Successor Agency Resolution and the Indenture, that this Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds and that this Oversight Board approve certain agreements and actions by the Successor Agency in furtherance of and to carry out the purposes of the plan of refinancing as set forth in the Successor Agency Resolution and this resolution without the need for any further approval from this Oversight Board;

WHEREAS, the Successor Agency has determined to sell the Refunding Bonds on a negotiated basis to Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) and the Successor Agency will enter into a Bond Purchase Agreement (the “Bond Purchase Agreement”) in connection with the sale of the Refunding Bonds to the Underwriter;

WHEREAS, the Successor Agency, with the assistance of its Municipal Advisor, the Underwriter, Stradling Yocca Carlson & Rauth, a Professional Corporation, as disclosure counsel, and Best Best & Krieger LLP, as bond counsel, will cause to be prepared a form of official statement describing the Refunding Bonds and containing material information relating to the Refunding Bonds, the preliminary form of which will be submitted to the Successor Agency for approval for distribution by the Underwriter of the Refunding Bonds to persons and institutions interested in purchasing the Refunding Bonds;

WHEREAS, this Oversight Board has completed its review of the refunding proceedings and the Debt Service Savings Analysis and wishes at this time to give its approval to the foregoing;

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER SAN MARCOS REDEVELOPMENT AGENCY, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Determination of Savings. This Oversight Board has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters by the issuance by the Successor Agency of the Refunding Bonds to defease and redeem all or a portion of the Prior Bonds, all as evidenced by the Debt Service Savings Analysis on file with the Clerk of the Oversight Board, which Debt Service Savings Analysis is hereby approved.

Section 3. Approval of Issuance of the Refunding Bonds. As authorized by Section 34177.5(f) and Section 34180, this Oversight Board hereby approves the issuance by the Successor Agency of the Refunding Bonds pursuant to Section 34177.5(a)(1) and under other applicable provisions of the Redevelopment Law and the Refunding Law and as provided in the Successor Agency Resolution and the Indenture in the aggregate principal amount of not to exceed \$50,000,000, provided that the principal and interest payable with respect to the Refunding Bonds complies in all respects with the requirements of the Savings Parameters, as shall be certified to by the Municipal Advisor upon delivery of the Refunding Bonds or any part thereof.

Section 4. Sale and Delivery of Refunding Bonds in Whole or in Part. The Oversight Board hereby approves the sale and delivery of the Refunding Bonds in whole, provided that there is compliance with the Savings Parameters. However, if such Savings Parameters cannot be met with respect to the whole of the Refunding Bonds, then the Oversight Board approves

the sale and delivery of the Refunding Bonds from time to time in part. In the event the Refunding Bonds are initially sold in part, the Successor Agency is hereby authorized to sell and deliver additional parts of the Refunding Bonds without the prior approval of this Oversight Board provided that in each such instance the Refunding Bonds so sold and delivered in part pursuant to a supplemental Indenture and are in compliance with the Savings Parameters.

Section 5. Determinations by the Oversight Board. As requested by the Successor Agency, the Oversight Board makes the following determinations upon which the Successor Agency shall rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds:

(a) the Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing the City for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds;

(b) the application of proceeds of the Refunding Bonds by the Successor Agency to the refunding and defeasance of all or a portion of the Prior Bonds, as well as the payment by the Successor Agency of costs of issuance of the Refunding Bonds, as provided in Section 34177.5(a), shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds without the approval of the Oversight Board, the California Department of Finance ("DOF"), the San Diego County Auditor-Controller or any other person or entity other than the Successor Agency;

(c) the Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34171(b) without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183. In addition and as provided by Section 34177.5(f), if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance.

Section 6. Approval of Agreements and Other Actions of the Successor Agency. The Successor Agency is authorized and directed to prepare, approve and execute such other

documents, including, as necessary, a Bond Purchase Agreement, an official statement, a Continuing Disclosure Certificate, an escrow agreement to establish the terms and conditions pertaining to the defeasance and redemption of the Prior Bonds, and any additional agreements, as may be necessary to carry out the purposes of the Successor Agency Resolution and this Resolution without the need for any further approval from this Oversight Board.

Section 7. Effective Date. Pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board may be reviewed by DOF and, therefore, this Resolution shall be effective five (5) business days after notice to DOF unless such department requests a review of the actions taken in this Resolution, in which case this Resolution will be effective upon approval by DOF.

PASSED, APPROVED AND ADOPTED by the Oversight Board of the Successor Agency to the former San Marcos Redevelopment Agency, at a special meeting held on the 14th day of September, 2017, by the following roll call vote:

AYES:	BOARD MEMBERS:
NOES:	BOARD MEMBERS:
ABSENT:	BOARD MEMBERS:
RECUSAL:	BOARD MEMBERS:

Paul Malone, Chair
Oversight Board to the Successor Agency of the
former San Marcos Redevelopment Agency

ATTEST:

Phillip Scollick, Clerk
Oversight Board to the Successor Agency of the
former San Marcos Redevelopment Agency

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Debt Service Savings Analysis Report
Successor Agency to the San Marcos Redevelopment Agency

Bond Refunding Financing Plan*

Tax Allocation Refunding Bonds, Series 2017 (Taxable)
(Tax Exempt)

Refunding Par Amount:	\$47,395,000
Par Refunded:	\$43,765,000
Final Maturity:	10/1/2030
Average Coupon of Refunding Bonds:	8.22%
True Interest Cost:	3.37%
Net Present Value Savings (\$):	\$6,391,190
Present Value Savings (%):	14.53%
Nominal Savings (\$):	\$14,069,533
Average Annual Savings (\$):	\$1,082,272
Average Annual Savings - City Share (\$):	\$167,536

* Reflects market conditions as of August 8, 2017 and assumes "AA-" rates with Annual principal amortization.

Closing Date - 12/14/2017

Assumes COI - \$575k (This number represents fixed costs of issuance, underwriter's discount and Reserve Fund Surety.)

Underwriter's Discount - \$3.86 per bond

Assumes a Debt Service Reserve Surety.

SOURCES AND USES OF FUNDS

Redevelopment Agency of the City of San Marcos Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Dated Date	12/14/2017
Delivery Date	12/14/2017

Sources:

Bond Proceeds:	
Par Amount	47,395,000.00
Other Sources of Funds:	
Prior Reserve Fund Release	5,108,518.00
	<u>52,503,518.00</u>

Uses:

Refunding Escrow Deposits:	
Cash Deposit	0.68
SLGS Purchases	<u>51,928,329.00</u>
	51,928,329.68
Delivery Date Expenses:	
Cost of Issuance	300,000.00
Underwriter's Discount	183,033.75
Surety Cost @ 200 bps	<u>90,211.86</u>
	573,245.61
Other Uses of Funds:	
Additional Proceeds	1,942.71
	<u>52,503,518.00</u>

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

- 1) Prior Reserve Fund per FY 2015-2016 Continuing Disclosure.
- 2) Escrow has been shown to be funded with SLGS as an estimate of possible earnings. Stifel does not recommend any particular investment strategy.
- 3) Cost of Issuance provided by Fieldman Rolapp.
- 4) Debt Service Reserve Fund is fully funded with a Surety policy calculated at 200 basis points of the standard three prong test.

SUMMARY OF REFUNDING RESULTS

Redevelopment Agency of the City of San Marcos Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Dated Date	12/14/2017
Delivery Date	12/14/2017
Arbitrage yield	3.310642%
Escrow yield	1.427351%
Value of Negative Arbitrage	2,302,663.56
Bond Par Amount	47,395,000.00
True Interest Cost	3.373366%
Net Interest Cost	3.353500%
Average Coupon	3.299587%
Average Life	7.163
Par amount of refunded bonds	43,765,000.00
Average coupon of refunded bonds	8.224433%
Average life of refunded bonds	7.834
PV of prior debt to 12/14/2017 @ 3.310642%	58,772,553.52
Net PV Savings	6,361,190.09
Percentage savings of refunded bonds	14.534880%
Percentage savings of refunding bonds	13.421648%

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

BOND SUMMARY STATISTICS

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Dated Date	12/14/2017
Delivery Date	12/14/2017
Last Maturity	10/01/2030
Arbitrage Yield	3.310642%
True Interest Cost (TIC)	3.373366%
Net Interest Cost (NIC)	3.353500%
All-In TIC	3.476933%
Average Coupon	3.299587%
Average Life (years)	7.163
Duration of Issue (years)	6.280
Par Amount	47,395,000.00
Bond Proceeds	47,395,000.00
Total Interest	11,201,910.46
Net Interest	11,384,944.21
Total Debt Service	58,596,910.46
Maximum Annual Debt Service	4,510,593.00
Average Annual Debt Service	4,578,877.31
Underwriter's Fees (per \$1000)	
Average Takedown	3.250000
Other Fee	0.611879
Total Underwriter's Discount	3.861879
Bid Price	99.613812

Bond Component	Par Value	Price	Average Coupon	Average Life
Taxable Serial Bonds	47,395,000.00	100.000	3.300%	7.163
	47,395,000.00			7.163

	TIC	All-In TIC	Arbitrage Yield
Par Value	47,395,000.00	47,395,000.00	47,395,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-183,033.75	-183,033.75	
- Cost of Issuance Expense		-300,000.00	
- Other Amounts	-90,211.86	-90,211.86	-90,211.86
Target Value	47,121,754.39	46,821,754.39	47,304,788.14
Target Date	12/14/2017	12/14/2017	12/14/2017
Yield	3.373366%	3.476933%	3.310642%

BOND SUMMARY STATISTICS

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

BOND PRICING

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Taxable Serial Bonds:					
	10/01/2018	3,380,000	1.560%	1.560%	100.000
	10/01/2019	3,145,000	1.970%	1.970%	100.000
	10/01/2020	3,210,000	2.360%	2.360%	100.000
	10/01/2021	3,285,000	2.560%	2.560%	100.000
	10/01/2022	3,370,000	2.820%	2.820%	100.000
	10/01/2023	3,465,000	2.920%	2.920%	100.000
	10/01/2024	3,565,000	3.060%	3.060%	100.000
	10/01/2025	3,675,000	3.210%	3.210%	100.000
	10/01/2026	3,795,000	3.260%	3.260%	100.000
	10/01/2027	3,920,000	3.360%	3.360%	100.000
	10/01/2028	4,050,000	3.510%	3.510%	100.000
	10/01/2029	4,190,000	3.660%	3.660%	100.000
	10/01/2030	4,345,000	3.760%	3.760%	100.000
		47,395,000			

Dated Date	12/14/2017	
Delivery Date	12/14/2017	
First Coupon	04/01/2018	
Par Amount	47,395,000.00	
Original Issue Discount		
Production	47,395,000.00	100.000000%
Underwriter's Discount	-183,033.75	-0.386188%
Purchase Price	47,211,966.25	99.613812%
Accrued Interest		
Net Proceeds	47,211,966.25	

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

SAVINGS

Redevelopment Agency of the City of San Marcos Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 12/14/2017 @ 3.3106424%
10/01/2018	5,588,368.76	4,505,769.46	1,082,599.30	1,075,783.92
10/01/2019	5,588,212.50	4,504,387.00	1,083,825.50	1,037,117.26
10/01/2020	5,591,637.50	4,507,430.50	1,084,207.00	1,003,325.25
10/01/2021	5,589,300.00	4,506,674.50	1,082,625.50	968,886.95
10/01/2022	5,589,750.00	4,507,578.50	1,082,171.50	936,527.07
10/01/2023	5,590,150.00	4,507,544.50	1,082,605.50	905,781.70
10/01/2024	5,587,950.00	4,506,366.50	1,081,583.50	874,804.82
10/01/2025	5,591,950.00	4,507,277.50	1,084,672.50	847,996.72
10/01/2026	5,590,150.00	4,509,310.00	1,080,840.00	816,748.81
10/01/2027	5,591,350.00	4,510,593.00	1,080,757.00	789,255.40
10/01/2028	5,588,375.00	4,508,881.00	1,079,494.00	761,648.14
10/01/2029	5,591,500.00	4,506,726.00	1,084,774.00	739,338.85
10/01/2030	5,587,750.00	4,508,372.00	1,079,378.00	710,550.48
	72,666,443.76	58,596,910.46	14,069,533.30	11,467,765.38

Savings Summary

Dated Date	12/14/2017
Delivery Date	12/14/2017
PV of savings from cash flow	11,467,765.38
Less: Prior funds on hand	-5,108,518.00
Plus: Refunding funds on hand	1,942.71
Net PV Savings	6,361,190.09

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

BOND DEBT SERVICE

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Dated Date 12/14/2017

Delivery Date 12/14/2017

Period Ending	Principal	Coupon	Interest	Debt Service
10/01/2018	3,380,000	1.560%	1,125,769.46	4,505,769.46
10/01/2019	3,145,000	1.970%	1,359,387.00	4,504,387.00
10/01/2020	3,210,000	2.360%	1,297,430.50	4,507,430.50
10/01/2021	3,285,000	2.560%	1,221,674.50	4,506,674.50
10/01/2022	3,370,000	2.820%	1,137,578.50	4,507,578.50
10/01/2023	3,465,000	2.920%	1,042,544.50	4,507,544.50
10/01/2024	3,565,000	3.060%	941,366.50	4,506,366.50
10/01/2025	3,675,000	3.210%	832,277.50	4,507,277.50
10/01/2026	3,795,000	3.260%	714,310.00	4,509,310.00
10/01/2027	3,920,000	3.360%	590,593.00	4,510,593.00
10/01/2028	4,050,000	3.510%	458,881.00	4,508,881.00
10/01/2029	4,190,000	3.660%	316,726.00	4,506,726.00
10/01/2030	4,345,000	3.760%	163,372.00	4,508,372.00
	47,395,000		11,201,910.46	58,596,910.46

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

SUMMARY OF BONDS REFUNDED

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
2010 Tax Allocation Housing Bonds (Taxable), 2010:					
SERIAL	10/01/2019	6.500%	2,255,000.00		
	10/01/2020	6.750%	2,405,000.00		
	10/01/2021	7.000%	2,565,000.00	10/01/2020	100.000
TERM18	10/01/2018	6.125%	2,125,000.00		
TERM26	10/01/2026	8.000%	16,105,000.00	10/01/2020	100.000
TERM30	10/01/2030	8.500%	18,310,000.00	10/01/2020	100.000
			43,765,000.00		

Notes:

Notes:

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ESCROW REQUIREMENTS

Redevelopment Agency of the City of San Marcos Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Period Ending	Principal	Interest	Principal Redeemed	Total
10/01/2018	2,125,000.00	3,463,368.76		5,588,368.76
10/01/2019	2,255,000.00	3,333,212.50		5,588,212.50
10/01/2020	2,405,000.00	3,186,637.50	36,980,000.00	42,571,637.50
	6,785,000.00	9,983,218.76	36,980,000.00	53,748,218.76

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

ESCROW COST

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	04/01/2018	1,529,479	1.010%	1,529,479.00
SLGS	10/01/2018	3,491,620	1.150%	3,491,620.00
SLGS	04/01/2019	1,333,555	1.220%	1,333,555.00
SLGS	10/01/2019	3,596,690	1.290%	3,596,690.00
SLGS	04/01/2020	1,291,602	1.360%	1,291,602.00
SLGS	10/01/2020	40,685,383	1.440%	40,685,383.00
		51,928,329		51,928,329.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
12/14/2017	51,928,329	0.68	51,928,329.68
	51,928,329	0.68	51,928,329.68

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

ESCROW CASH FLOW

Redevelopment Agency of the City of San Marcos Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Date	Principal	Interest	Net Escrow Receipts
04/01/2018	1,529,479.00	202,205.50	1,731,684.50
10/01/2018	3,491,620.00	365,063.88	3,856,683.88
04/01/2019	1,333,555.00	333,050.99	1,666,605.99
10/01/2019	3,596,690.00	324,916.30	3,921,606.30
04/01/2020	1,291,602.00	301,717.65	1,593,319.65
10/01/2020	40,685,383.00	292,934.76	40,978,317.76
	51,928,329.00	1,819,889.08	53,748,218.08

Escrow Cost Summary

Purchase date	12/14/2017
Purchase cost of securities	51,928,329.00

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

ESCROW STATISTICS

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
DSRF	5,108,518.00	0.652	1.131304%	1.131304%	5,036,859.86	71,658.13	0.01
BP	46,819,811.68	2.606	1.427351%	1.427351%	44,588,806.22	2,231,005.43	0.03
	51,928,329.68				49,625,666.08	2,302,663.56	0.04

Delivery date 12/14/2017
Arbitrage yield 3.310642%

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

DISCLAIMER

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---
Interest Rates as of August 8, 2017

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Notes:

Notes:

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	ROPS 17-18A	Percentage	Average Annual Savings
Residual Distributions			
County of San Diego	\$ -	0.00%	\$ -
County Library	670,335	4.45%	48,141
North County Cemetery	49,751	0.33%	3,573
Gen Elem Escondido Union	11,387	0.08%	818
High Escondido Union	8,647	0.06%	621
Unified San Marcos	6,837,004	45.37%	491,011
Palomar Community College	1,175,723	7.80%	84,437
San Diego County Office of Education	515,556	3.42%	37,026
Educational Revenue Augmentation Fund	2,474,984	16.42%	177,745
San Marcos City	1,306,867	8.67%	93,855
Palomar Pomerado Health	270,444	1.79%	19,422
Greater San Diego Co. Res. Conservation Dist Land	1,496	0.01%	107
San Marcos Fire Protection District	1,135,784	7.54%	81,568
Vista Irrigation	3,162	0.02%	227
Vallecitos Water District	535,867	3.56%	38,484
Olivenhain Muni Water District	266	0.00%	19
Rincon Del Diablo Muni Water District	5,699	0.04%	409
San Diego County Water District	66,943	0.44%	4,808
Total Residual Distributions	\$ 15,069,914	100.00%	\$ 1,082,272
City & SMFPD Combined		16.21%	\$ 175,423



Staff Report

File #: TMP-0889

MEETING DATE:
SEPTEMBER 12, 2017

SUBJECT:

RESOLUTION NO. SA 2017-021 - REQUEST FOR AUTHORIZATION AND APPROVAL BY THE BOARD OF THE SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY TO REFUND CERTAIN OUTSTANDING HOUSING SET-ASIDE TAX ALLOCATION BONDS, SERIES 2010

Recommendation

ADOPT a resolution of the Board of the Successor Agency to the San Marcos Redevelopment Agency ("Successor Agency") approving the issuance of refunding bonds in order to refund certain outstanding bonds and financial obligations of the former San Marcos Redevelopment Agency, approving the execution and delivery of an Indenture of Trust and other related documents.

Board or Commission Action

Not applicable

Relevant Council Strategic Theme

Planning for the Future
Good Governance

Relevant Department Goal

Not applicable

Introduction

The former San Marcos Redevelopment Agency issued its \$52,805,000 Housing Set-Aside Tax Allocation Bonds, Series 2010 (Taxable) (the "Prior Bonds") for affordable housing and associated purposes. Staff and consultants estimate that refinancing of the Prior Bonds will reduce the collective debt service by approximately \$14.07 million through October 1, 2030, based on market conditions as of August 8, 2017.

The dissolution law provides that such refinancings are subject to the approval of the Successor Agency, Oversight Board, and the Department of Finance. The proposed action starts this process. If these Prior Bonds are refinanced, any savings accrued will increase the amount of residual property tax (previously known as tax increment) available for distribution to the taxing entities.

Discussion

As the City Council will recall, redevelopment agencies were dissolved by the passage of ABx1 26 by the California Legislature. The California Supreme Court upheld the dissolution statute in December of 2011,

and the dissolution occurred effective February 1, 2012. AB 1484, follow-up legislation to supplement and clarify various provisions, was passed in June of 2012. That statute added Health & Safety Code section 34177.5, subsection (a)(1) which includes language that permits successor agencies to refund bonds to effect savings. That section provides that a successor agency has the authority, right and power to:

(1) For the purpose of issuing bonds or incurring other indebtedness to refund the bonds or other indebtedness of its former redevelopment agency or of the successor agency to provide savings to the successor agency, provided that (A) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the funding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds or other indebtedness may be greater than the outstanding principal amount of the bonds or other indebtedness to be refunded. The successor agency may pledge to the refunding bond or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, and that pledge, when made in connection with the issuance of such refunding bonds or other indebtedness, shall have the same lien priority as the pledge of the bonds or other obligations to be refunded, and shall be valid, binding, and enforceable in accordance with its terms.

As provided by AB 1484, a successor agency is not able to issue bonds that would increase the overall indebtedness associated with the previous issuances, or provide additional proceeds to be expended, but it can issue bonds to refund and effectuate cost savings as proposed. By refunding certain eligible bond issues, the debt service payments will be reduced and the taxing entities will receive additional revenues. Staff has identified such an opportunity which is presented in this agenda report.

Prior to the dissolution of the Redevelopment Agency, the former San Marcos Redevelopment Agency issued the Prior Bonds to finance affordable housing and associated purposes. The current outstanding principal amount of the Prior Bonds is \$45,770,000 with interest rates ranging from 6.125% to 8.5%. It is anticipated that the refunding of the Prior Bonds will produce an annual average reduction in bond payments of \$1,082,272. This will result in an average annual increase of \$175,423 in property tax revenues to the City. This same reduction in annual bond payments frees up additional property tax revenues for distribution to the affected taxing entities. The City and the San Marcos Fire Protection District are two of the taxing entities that will benefit from these savings. Other taxing entities include, but are not limited to, the County, schools (K-12, community colleges and County Office of Education), the County Library, Palomar Pomerado Health, Vallecitos Water District and Vista Irrigation District.

AB 1484 permits successor agencies to refund outstanding bonds and other obligations of a former redevelopment agency which requires the approval of the Successor Agency, Oversight Board and the California Department of Finance. Because the impact of the refunding would be to reduce the interest costs associated with the Prior Bonds, it is anticipated that Department of Finance will not object to the

action. Successor agencies throughout the state have successfully refunded outstanding debt and the Successor Agency completed a similar refinancing in 2015, refunding nine outstanding financial obligations.

The first step in moving forward with the refunding bonds is to adopt the attached resolution directing the Successor Agency to undertake proceedings for the issuance and sale of the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017 (the "Refunding Bonds") to refund the Prior Bonds, approve the required legal documents and authorize all of the necessary actions relating to the proposed refinancing. Subsequent to the adoption of the resolution by the Successor Agency, the Oversight Board has a meeting scheduled for September 14, 2017, for their adoption of the required resolution accompanied by the Successor Agency resolution and the indenture of trust, escrow agreement, debt service savings analysis and the bond purchase agreement. Once the Oversight Board has approved their resolution, they are required to be forwarded to the California Department of Finance who has up to sixty days to approve the Oversight Board resolution.

Refunding Process

It is anticipated that the refunding will take approximately 4 months to complete. The key milestones to complete the refunding are identified below:

- Successor Agency approving resolution to refund the Prior Bonds and approving legal documents (***Tonight's Action***)
- Oversight Board's approval of Successor Agency action to issue the Refunding Bonds and make determination of savings (September 14, 2017)
- Submission of resolutions of both the Successor Agency and Oversight Board and all the related documents to the Department of Finance (September 15, 2017)
- Secure underlying credit ratings and debt service reserve fund surety (November 2017)
- Receive Department of Finance's Approval (November 2017)
- Successor Agency approval of the Preliminary Official Statement and remaining financing documents (November 2017)
- Negotiated sale of Bonds (November 2017)
- Bond Closing (December 2017)
- Defeasance and redemption of outstanding 2010 Bonds (October 2020)

Fiscal Impact

The fiscal impact of the issuance of refunding bonds will result in the average annual reduction in bond payments of approximately \$1,082,272. This same reduction in annual bond payments frees up additional property tax revenues for distribution to affected taxing entities. This will result in an average annual increase of \$175,423 in property tax revenues to the City and San Marcos Fire Protection District starting in 2018 and continuing through the final maturity in 2030, as a result of the refunding. These are estimated savings based on current market conditions as of August 8, 2017 and are subject to change.

Attachment(s)

Resolution Approving Issuance of Refunding Bonds

File #: TMP-0889

Debt Service Savings Analysis Report
First Supplemental Indenture of Trust
Escrow Deposit and Trust Agreement
Bond Purchase Agreement

Prepared by: Roque Chiriboga, Fiscal Services/Debt Manager
Reviewed by: Laura Rocha, Finance Director
Approved by: Jack Griffin, City Manager

RESOLUTION NO. SA 2017 - ____

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY APPROVING THE ISSUANCE OF REFUNDING BONDS TO REFUND CERTAIN OUTSTANDING BONDS OF THE DISSOLVED SAN MARCOS REDEVELOPMENT AGENCY, APPROVING THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL INDENTURE OF TRUST RELATING THERETO, REQUESTING OVERSIGHT BOARD APPROVAL OF THE ISSUANCE OF THE REFUNDING BONDS, REQUESTING CERTAIN DETERMINATIONS BY THE OVERSIGHT BOARD, AND AUTHORIZING AND PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO

WHEREAS, pursuant to Section 34173 of the California Health and Safety Code (unless otherwise noted, all Section references hereinafter being to such Code), the City Council of the City of San Marcos (the “City”) elected to assume the activities and obligations of the San Marcos Redevelopment Agency (the “Former Agency”), as the Successor Agency to the San Marcos Redevelopment Agency (the “Successor Agency”);

WHEREAS, prior to the dissolution of the Former Agency, the Former Agency issued its \$52,805,000 San Marcos Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2010 (Taxable) (the “Prior Bonds”) for the purpose of financing a portion of the costs of low and moderate income housing projects within or of benefit to the redevelopment plans (the “Redevelopment Plans”) for the San Marcos Redevelopment Project Area Nos. 1, 2 and 3 (the “Project Areas”);

WHEREAS, Section 34177.5 authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Refunding Law”) to refund the bonds or other indebtedness of the Successor Agency for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the “Savings Parameters”);

WHEREAS, to determine compliance with the Savings Parameters for purposes of the issuance by the Successor Agency of the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017 (the “Refunding Bonds”), the Successor Agency has caused its municipal advisor, Fieldman, Rolapp & Associates (the “Municipal Advisor”), to prepare an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of the proceeds of the Refunding Bonds to repay the Prior Bonds and, thereby, to refund all or a portion of the Prior Bonds (the “Debt Service Savings Analysis”);

WHEREAS, the Debt Service Savings Analysis of the Financial Advisor concluded that issuance of the Refunding Bonds will meet the required Savings Parameters;

WHEREAS, the Successor Agency wishes at this time to approve the issuance of the Refunding Bonds and to approve the form of and authorize the execution and delivery of (a) the First Supplemental Indenture of Trust (the "First Supplemental Indenture"), expected to be dated the first day of the month such Refunding Bonds are issued, by and between the Successor Agency and MUFG Union Bank, N.A., as trustee (the "Trustee"), to amend and supplement the Indenture of Trust, dated as of July 1, 2015 (as amended and supplemented by the First Supplemental Indenture, the "Indenture"), to provide for the issuance of the Refunding Bonds on a parity with the Successor Agency's Tax Allocation Refunding Bonds, Series 2015A and the Successor Agency's Taxable Tax Allocation Refunding Bonds, Series 2015B previously issued pursuant to the Indenture; and (b) an Escrow Deposit and Trust Agreement (the "Escrow Agreement"), expected to be dated the first day of the month such Refunding Bonds are issued, by and between the Successor Agency and MUFG Union Bank, N.A., as escrow bank (the "Escrow Bank"), to provide for the defeasance and redemption of the Prior Bonds;

WHEREAS, the Successor Agency hereby determines that the issuance of the Refunding Bonds will conform to and comply with the provisions of the Debt Issuance, Management and Post Issuance Compliance Policy of the City adopted on June 27, 2017;

WHEREAS, pursuant to Section 34179, an oversight board (the "Oversight Board") has been established for the Successor Agency;

WHEREAS, the Successor Agency requests that the Oversight Board approve the Successor Agency's plan of refinancing, including the issuance of the Refunding Bonds pursuant to this Resolution and the Indenture;

WHEREAS, the Successor Agency further requests that the Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds;

WHEREAS, the Successor Agency has determined to sell the Refunding Bonds on a negotiated basis to Stifel, Nicolaus & Company, Incorporated (the "Underwriter") and the Successor Agency will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with the Underwriter, in connection with the sale of the Refunding Bonds to the Underwriter subject to the limitations set forth in this Resolution; and

WHEREAS, following approval by the Oversight Board of the issuance of the Refunding Bonds by the Successor Agency, to be effective upon approval by the California Department of Finance of such approval by the Oversight Board, the Successor Agency, with the assistance of its Municipal Advisor, the Underwriter, Stradling Yocca Carlson & Rauth, a Professional Corporation, as disclosure counsel, and Best Best & Krieger LLP, as bond counsel, will cause to be prepared a form of Official Statement describing the Refunding Bonds and containing material information relating to the Refunding Bonds, the preliminary form of which will be submitted to the Successor Agency for approval for distribution by the Underwriter to persons and institutions interested in purchasing the Refunding Bonds; and

NOW, THEREFORE, the City Council of the City of San Marcos, serving in its capacity as the Successor Agency to the dissolved San Marcos Redevelopment Agency RESOLVES as follows:

1. Determination of Savings. The Successor Agency has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters as a result of the issuance by the Successor Agency of the Refunding Bonds to provide funds to defease and redeem the Prior Bonds, all as evidenced by the Debt Service Savings Analysis on file with the City Clerk of the City, acting as the Clerk of the Successor Agency (the "Clerk"), which Debt Service Savings Analysis is hereby approved.

2. Approval of Issuance of the Refunding Bonds. The Successor Agency hereby authorizes and approves the issuance of the Refunding Bonds pursuant to Section 34177.5(a)(1) and other applicable provisions of law and the Refunding Law in the aggregate principal amount of not to exceed \$50,000,000, provided that the Refunding Bonds are in compliance with the Savings Parameters at the time of sale and delivery and that the net present value savings to the Successor Agency as a result of the refunding is not less than five percent (5.00%).

3. Approval of the Indenture. The Successor Agency hereby approves the Indenture prescribing the terms and provisions of the Refunding Bonds and the application of the proceeds of the Refunding Bonds. The Mayor, as the Chair and presiding officer of the Successor Agency, the City Manager of the City, as the chief administrative officer of the Successor Agency, or the Finance Director of the City, each acting for and on behalf of the Successor Agency (each, an "Authorized Officer"), are each hereby authorized and directed to execute and deliver the Indenture for and in the name and on behalf of the Successor Agency, in substantially the form on file with the Clerk, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer executing the same shall approve, such

approval to be conclusively evidenced by the execution and delivery of the Indenture. The Successor Agency hereby authorizes the delivery and performance of the Indenture.

4. Approval of Escrow Agreement. The forms of the Escrow Agreement on file with the Clerk is hereby approved and the Authorized Officers are, each acting alone, hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to execute and deliver the Escrow Agreement upon the issuance of the Refunding Bonds. The Successor Agency hereby authorizes the delivery and performance of its obligations under the Escrow Agreement.

5. Oversight Board Approval of the Issuance of the Refunding Bonds. The Successor Agency hereby requests the Oversight Board as authorized by Section 34177.5(f) and Section 34180 to approve the issuance of the Refunding Bonds pursuant to Section 34177.5(a)(1) and this Resolution and the Indenture.

6. Determinations by the Oversight Board. The Successor Agency requests that the Oversight Board make the following determinations upon which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds:

(a) the Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing the City for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds;

(b) the application of proceeds of the Refunding Bonds by the Successor Agency to the defeasance and redemption of the Prior Bonds, as well as the payment by the Successor Agency of costs of issuance of the Refunding Bonds, as provided in Section 34177.5(a), shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds, notwithstanding Section 34177.3 or any other provision of law to the contrary, without the approval of the Oversight Board, the California Department of Finance, the San Diego County Auditor-Controller or any other person or entity other than the Successor Agency;

(c) the Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34171(b) without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable

from property tax revenues pursuant to Section 34183. In addition and as provided by Section 34177.5(f), if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance; and

(d) the Successor Agency is authorized and directed to prepare, approve and execute such other documents, including, as necessary, the Bond Purchase Agreement, an official statement, a continuing disclosure certificate and any additional agreements as may be required to carry out the purposes of this resolution without the need for further approval from the Oversight Board.

7. Filing of Debt Service Savings Analysis and Resolution. The Clerk is hereby authorized and directed to file, on behalf of the Successor Agency, the Debt Service Savings Analysis, together with a certified copy of this Resolution, with the Oversight Board, and, as provided in Section 34180(j) with the San Diego County Administrative Officer, the San Diego County Auditor-Controller and the California Department of Finance.

8. Sale of Refunding Bonds. The form of the Bond Purchase Agreement on file with the City Clerk is hereby approved and the Authorized Officers, each acting alone, are hereby authorized and directed to execute and deliver the Bond Purchase Agreement for and in the name and on behalf of the Successor Agency, in substantially the form on file with the Clerk, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. The Successor Agency hereby authorizes the delivery and performance of its obligations under the Bond Purchase Agreement.

The Successor Agency hereby approves the sale of the Refunding Bonds to the Underwriter, pursuant to the Bond Purchase Agreement, and the Authorized Officers are hereby authorized and directed to provide such information to the Underwriter as they request in connection with the marketing of the Refunding Bonds, and to provide such representations and warranties as is customary in connection with the issuance of bonds such as the Refunding Bonds, including by executing the Successor Agency's Rule 15c2-12 Certificate substantially in the form attached to the Bond Purchase Agreement.

9. Issuance of Refunding Bonds in Whole or in Part. It is the intent of the Successor Agency to sell and deliver the Refunding Bonds in whole, provided that there is compliance with the Savings Parameters and that the net present value savings to the Successor Agency as a

result of the refunding is not less than five percent (5.00%). However, the Successor Agency will initially authorize the sale and delivery of the Refunding Bonds in whole or, if such Savings Parameters cannot be met with respect to the whole, then in part; provided that the Refunding Bonds so sold and delivered in part are in compliance with the Savings Parameters. The sale and delivery of the Refunding Bonds in part will in each instance provide sufficient funds only for the refunding of that portion of the Refunding Bonds that meet the Savings Parameters. In the event the Refunding Bonds are initially sold in part, the Successor Agency intends to sell and deliver additional parts of the Refunding Bonds pursuant to a further supplement to the Indenture without the prior approval of the Oversight Board provided that in each such instance the Refunding Bonds so sold and delivered in part are in compliance with the Savings Parameters and that the net present value savings to the Successor Agency as a result of the refunding of such part is not less than five percent (5.00%).

10. Bond Issuance Services. MUFG Union Bank, N.A., is hereby appointed as Trustee and Escrow Bank; Fieldman, Rolapp & Associates, Inc. is hereby appointed as Municipal Advisor; Best Best & Krieger LLP is hereby appointed as bond counsel; Stradling Yocca Carlson & Rauth, a Professional Corporation, is hereby appointed as disclosure counsel; Stifel, Nicolaus & Company, Incorporated is hereby appointed as Underwriter and Rosenow Spevacek Group Inc. is hereby appointed as fiscal consultant.

The City Manager, acting for the Successor Agency, is authorized to execute contracts for such services and any other related services as may be required to refund the Prior Bonds.

11. Municipal Bond Insurance and Debt Service Reserve Insurance. The Authorized Officers, each acting alone, are hereby authorized and directed to take all actions necessary to obtain a municipal bond insurance policy for the Refunding Bonds and a debt service reserve insurance policy for the Refunding Bonds from a municipal bond insurance company if it is determined, upon consultation with the Municipal Advisor to the Successor Agency and the Underwriter, that such municipal bond insurance policy and/or reserve fund surety bond will reduce the true interest costs with respect to the Refunding Bonds.

12. Ratification. All actions heretofore taken by the officials, employees and agents of the Successor Agency with respect to the sale and issuance of the Refunding Bonds are hereby approved, confirmed and ratified.

13. Official Actions. The Authorized Officers and any and all other officers of the Successor Agency are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in obtaining the requested approvals by the Oversight

Board and the California Department of Finance and in the issuance, sale and delivery of the Refunding Bonds. Whenever in this Resolution any Authorized Officer or other officer of the Successor Agency is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated in writing by such officer to act on his or her behalf in the case such officer is absent or unavailable.

14. Effective Date. This Resolution shall take effect immediately upon its passage; provided, however, that the Successor Agency will not execute and deliver the documents approved hereby or issue the Refunding Bonds until such execution, delivery and issuance has been approved by the Oversight Board and the Department of Finance of the State of California.

PASSED, APPROVED AND ADOPTED by the City Council of the City of San Marcos acting in its capacity as designated Successor Agency to the former San Marcos Redevelopment Agency, at a regular meeting held on the 12th day of September, 2017, by the following roll call vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

James M. Desmond, Mayor
City of San Marcos

ATTEST

Phillip Scollick, City Clerk
City of the San Marcos

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Debt Service Savings Analysis Report
Successor Agency to the San Marcos Redevelopment Agency

Bond Refunding Financing Plan*

Tax Allocation Refunding Bonds, Series 2017 (Taxable)
(Tax Exempt)

Refunding Par Amount:	\$47,395,000
Par Refunded:	\$43,765,000
Final Maturity:	10/1/2030
Average Coupon of Refunding Bonds:	8.22%
True Interest Cost:	3.37%
Net Present Value Savings (\$):	\$6,391,190
Present Value Savings (%):	14.53%
Nominal Savings (\$):	\$14,069,533
Average Annual Savings (\$):	\$1,082,272
Average Annual Savings - City Share (\$):	\$167,536

* Reflects market conditions as of August 8, 2017 and assumes "AA-" rates with Annual principal amortization.

Closing Date - 12/14/2017

Assumes COI - \$575k (This number represents fixed costs of issuance, underwriter's discount and Reserve Fund Surety.)

Underwriter's Discount - \$3.86 per bond

Assumes a Debt Service Reserve Surety.

SOURCES AND USES OF FUNDS

Redevelopment Agency of the City of San Marcos Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Dated Date	12/14/2017
Delivery Date	12/14/2017

Sources:

Bond Proceeds:	
Par Amount	47,395,000.00
Other Sources of Funds:	
Prior Reserve Fund Release	5,108,518.00
	<u>52,503,518.00</u>

Uses:

Refunding Escrow Deposits:	
Cash Deposit	0.68
SLGS Purchases	<u>51,928,329.00</u>
	51,928,329.68
Delivery Date Expenses:	
Cost of Issuance	300,000.00
Underwriter's Discount	183,033.75
Surety Cost @ 200 bps	<u>90,211.86</u>
	573,245.61
Other Uses of Funds:	
Additional Proceeds	1,942.71
	<u>52,503,518.00</u>

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

- 1) Prior Reserve Fund per FY 2015-2016 Continuing Disclosure.
- 2) Escrow has been shown to be funded with SLGS as an estimate of possible earnings. Stifel does not recommend any particular investment strategy.
- 3) Cost of Issuance provided by Fieldman Rolapp.
- 4) Debt Service Reserve Fund is fully funded with a Surety policy calculated at 200 basis points of the standard three prong test.

SUMMARY OF REFUNDING RESULTS

Redevelopment Agency of the City of San Marcos Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Dated Date	12/14/2017
Delivery Date	12/14/2017
Arbitrage yield	3.310642%
Escrow yield	1.427351%
Value of Negative Arbitrage	2,302,663.56
Bond Par Amount	47,395,000.00
True Interest Cost	3.373366%
Net Interest Cost	3.353500%
Average Coupon	3.299587%
Average Life	7.163
Par amount of refunded bonds	43,765,000.00
Average coupon of refunded bonds	8.224433%
Average life of refunded bonds	7.834
PV of prior debt to 12/14/2017 @ 3.310642%	58,772,553.52
Net PV Savings	6,361,190.09
Percentage savings of refunded bonds	14.534880%
Percentage savings of refunding bonds	13.421648%

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

BOND SUMMARY STATISTICS

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Dated Date	12/14/2017
Delivery Date	12/14/2017
Last Maturity	10/01/2030
Arbitrage Yield	3.310642%
True Interest Cost (TIC)	3.373366%
Net Interest Cost (NIC)	3.353500%
All-In TIC	3.476933%
Average Coupon	3.299587%
Average Life (years)	7.163
Duration of Issue (years)	6.280
Par Amount	47,395,000.00
Bond Proceeds	47,395,000.00
Total Interest	11,201,910.46
Net Interest	11,384,944.21
Total Debt Service	58,596,910.46
Maximum Annual Debt Service	4,510,593.00
Average Annual Debt Service	4,578,877.31
Underwriter's Fees (per \$1000)	
Average Takedown	3.250000
Other Fee	0.611879
Total Underwriter's Discount	3.861879
Bid Price	99.613812

Bond Component	Par Value	Price	Average Coupon	Average Life
Taxable Serial Bonds	47,395,000.00	100.000	3.300%	7.163
	47,395,000.00			7.163

	TIC	All-In TIC	Arbitrage Yield
Par Value	47,395,000.00	47,395,000.00	47,395,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-183,033.75	-183,033.75	
- Cost of Issuance Expense		-300,000.00	
- Other Amounts	-90,211.86	-90,211.86	-90,211.86
Target Value	47,121,754.39	46,821,754.39	47,304,788.14
Target Date	12/14/2017	12/14/2017	12/14/2017
Yield	3.373366%	3.476933%	3.310642%

BOND SUMMARY STATISTICS

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

BOND PRICING

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Taxable Serial Bonds:					
	10/01/2018	3,380,000	1.560%	1.560%	100.000
	10/01/2019	3,145,000	1.970%	1.970%	100.000
	10/01/2020	3,210,000	2.360%	2.360%	100.000
	10/01/2021	3,285,000	2.560%	2.560%	100.000
	10/01/2022	3,370,000	2.820%	2.820%	100.000
	10/01/2023	3,465,000	2.920%	2.920%	100.000
	10/01/2024	3,565,000	3.060%	3.060%	100.000
	10/01/2025	3,675,000	3.210%	3.210%	100.000
	10/01/2026	3,795,000	3.260%	3.260%	100.000
	10/01/2027	3,920,000	3.360%	3.360%	100.000
	10/01/2028	4,050,000	3.510%	3.510%	100.000
	10/01/2029	4,190,000	3.660%	3.660%	100.000
	10/01/2030	4,345,000	3.760%	3.760%	100.000
		47,395,000			

Dated Date	12/14/2017	
Delivery Date	12/14/2017	
First Coupon	04/01/2018	
Par Amount	47,395,000.00	
Original Issue Discount		
Production	47,395,000.00	100.000000%
Underwriter's Discount	-183,033.75	-0.386188%
Purchase Price	47,211,966.25	99.613812%
Accrued Interest		
Net Proceeds	47,211,966.25	

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

SAVINGS

Redevelopment Agency of the City of San Marcos Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 12/14/2017 @ 3.3106424%
10/01/2018	5,588,368.76	4,505,769.46	1,082,599.30	1,075,783.92
10/01/2019	5,588,212.50	4,504,387.00	1,083,825.50	1,037,117.26
10/01/2020	5,591,637.50	4,507,430.50	1,084,207.00	1,003,325.25
10/01/2021	5,589,300.00	4,506,674.50	1,082,625.50	968,886.95
10/01/2022	5,589,750.00	4,507,578.50	1,082,171.50	936,527.07
10/01/2023	5,590,150.00	4,507,544.50	1,082,605.50	905,781.70
10/01/2024	5,587,950.00	4,506,366.50	1,081,583.50	874,804.82
10/01/2025	5,591,950.00	4,507,277.50	1,084,672.50	847,996.72
10/01/2026	5,590,150.00	4,509,310.00	1,080,840.00	816,748.81
10/01/2027	5,591,350.00	4,510,593.00	1,080,757.00	789,255.40
10/01/2028	5,588,375.00	4,508,881.00	1,079,494.00	761,648.14
10/01/2029	5,591,500.00	4,506,726.00	1,084,774.00	739,338.85
10/01/2030	5,587,750.00	4,508,372.00	1,079,378.00	710,550.48
	72,666,443.76	58,596,910.46	14,069,533.30	11,467,765.38

Savings Summary

Dated Date	12/14/2017
Delivery Date	12/14/2017
PV of savings from cash flow	11,467,765.38
Less: Prior funds on hand	-5,108,518.00
Plus: Refunding funds on hand	1,942.71
Net PV Savings	6,361,190.09

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

BOND DEBT SERVICE

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Dated Date 12/14/2017

Delivery Date 12/14/2017

Period Ending	Principal	Coupon	Interest	Debt Service
10/01/2018	3,380,000	1.560%	1,125,769.46	4,505,769.46
10/01/2019	3,145,000	1.970%	1,359,387.00	4,504,387.00
10/01/2020	3,210,000	2.360%	1,297,430.50	4,507,430.50
10/01/2021	3,285,000	2.560%	1,221,674.50	4,506,674.50
10/01/2022	3,370,000	2.820%	1,137,578.50	4,507,578.50
10/01/2023	3,465,000	2.920%	1,042,544.50	4,507,544.50
10/01/2024	3,565,000	3.060%	941,366.50	4,506,366.50
10/01/2025	3,675,000	3.210%	832,277.50	4,507,277.50
10/01/2026	3,795,000	3.260%	714,310.00	4,509,310.00
10/01/2027	3,920,000	3.360%	590,593.00	4,510,593.00
10/01/2028	4,050,000	3.510%	458,881.00	4,508,881.00
10/01/2029	4,190,000	3.660%	316,726.00	4,506,726.00
10/01/2030	4,345,000	3.760%	163,372.00	4,508,372.00
	47,395,000		11,201,910.46	58,596,910.46

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

SUMMARY OF BONDS REFUNDED

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
2010 Tax Allocation Housing Bonds (Taxable), 2010:					
SERIAL	10/01/2019	6.500%	2,255,000.00		
	10/01/2020	6.750%	2,405,000.00		
	10/01/2021	7.000%	2,565,000.00	10/01/2020	100.000
TERM18	10/01/2018	6.125%	2,125,000.00		
TERM26	10/01/2026	8.000%	16,105,000.00	10/01/2020	100.000
TERM30	10/01/2030	8.500%	18,310,000.00	10/01/2020	100.000
			43,765,000.00		

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

ESCROW REQUIREMENTS

Redevelopment Agency of the City of San Marcos Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Period Ending	Principal	Interest	Principal Redeemed	Total
10/01/2018	2,125,000.00	3,463,368.76		5,588,368.76
10/01/2019	2,255,000.00	3,333,212.50		5,588,212.50
10/01/2020	2,405,000.00	3,186,637.50	36,980,000.00	42,571,637.50
	6,785,000.00	9,983,218.76	36,980,000.00	53,748,218.76

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

ESCROW COST

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	04/01/2018	1,529,479	1.010%	1,529,479.00
SLGS	10/01/2018	3,491,620	1.150%	3,491,620.00
SLGS	04/01/2019	1,333,555	1.220%	1,333,555.00
SLGS	10/01/2019	3,596,690	1.290%	3,596,690.00
SLGS	04/01/2020	1,291,602	1.360%	1,291,602.00
SLGS	10/01/2020	40,685,383	1.440%	40,685,383.00
		51,928,329		51,928,329.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
12/14/2017	51,928,329	0.68	51,928,329.68
	51,928,329	0.68	51,928,329.68

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

ESCROW CASH FLOW

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Date	Principal	Interest	Net Escrow Receipts
04/01/2018	1,529,479.00	202,205.50	1,731,684.50
10/01/2018	3,491,620.00	365,063.88	3,856,683.88
04/01/2019	1,333,555.00	333,050.99	1,666,605.99
10/01/2019	3,596,690.00	324,916.30	3,921,606.30
04/01/2020	1,291,602.00	301,717.65	1,593,319.65
10/01/2020	40,685,383.00	292,934.76	40,978,317.76
	51,928,329.00	1,819,889.08	53,748,218.08

Escrow Cost Summary

Purchase date	12/14/2017
Purchase cost of securities	51,928,329.00

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

ESCROW STATISTICS

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---

Interest Rates as of August 8, 2017

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
DSRF	5,108,518.00	0.652	1.131304%	1.131304%	5,036,859.86	71,658.13	0.01
BP	46,819,811.68	2.606	1.427351%	1.427351%	44,588,806.22	2,231,005.43	0.03
	51,928,329.68				49,625,666.08	2,302,663.56	0.04

Delivery date 12/14/2017
Arbitrage yield 3.310642%

Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

DISCLAIMER

Redevelopment Agency of the City of San Marcos
Taxable Advance Refunding of 2010 Housing Set-Aside Tax Allocation Bonds

Assumed Underlying Rating ---/AA-/---
Interest Rates as of August 8, 2017

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Notes:

Notes:

The taxable financing was evaluated at interest rate spreads to the US Treasury Curve of + 20 basis points beginning in 2018 increasing to + 150 basis points in 2030. The interest rate and rating assumptions are consistent with all outstanding bonds. The actual results may differ, and Stifel makes no commitment to underwrite at these levels. The analysis was performed with no change to the term of the debt service of the currently outstanding issue. The analysis was structured to produce proportional savings. The prior bonds are currently rated 'AA-' by S&P. The Agency utilized a surety-funded reserve in its 2015 bonds.

**FIRST SUPPLEMENTAL
INDENTURE OF TRUST**

Dated as of _____ 1, 2017

by and between

SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY

and

MUFG UNION BANK, N.A.,

as Trustee

Relating to

**\$ _____
Successor Agency to the San Marcos Redevelopment Agency
Taxable Tax Allocation Refunding Bonds, Series 2017**

TABLE OF CONTENTS

Page

ARTICLE I AUTHORITY AND AMENDMENT OF INDENTURE; DEFINITIONS

Section 1.01.	Authority for this First Supplemental Indenture	3
Section 1.02.	Amendment of Indenture	3
Section 1.03.	Definitions	3

ARTICLE II AUTHORIZATION AND TERMS OF SERIES 2017 BONDS

Section 2.01.	Authorization and Purpose of Series 2017 Bonds	6
Section 2.02.	Terms of the Series 2017 Bonds	6
Section 2.03.	Redemption of Series 2017 Bonds	7
Section 2.04.	Form of Series 2017 Bonds	9
Section 2.05.	Authentication and Delivery of Series 2017 Bonds	10
Section 2.06.	Transfer of Series 2017 Bonds	10
Section 2.07.	Exchange of Series 2017 Bonds	10
Section 2.08.	Registration Books	11
Section 2.09.	Temporary Bonds	11
Section 2.10.	Series 2017 Bonds Mutilated, Lost, Destroyed or Stolen	11
Section 2.11.	Book Entry Form	12

ARTICLE III DEPOSIT AND APPLICATION OF PROCEEDS OF SERIES 2017 BONDS

Section 3.01.	Issuance of Series 2017 Bonds	14
Section 3.02.	Deposit and Application of Proceeds	14
Section 3.03.	Series 2017 Reserve Sub-Account	14
Section 3.04.	Series 2017 Costs of Issuance Fund	14
Section 3.05.	Provisions Relating to Series 2017 Reserve Policy	15

ARTICLE IV

Section 4.01.	Amendment to Section 4.01 of the Indenture	16
Section 4.02.	Amendment to Section 4.02 of the Indenture	16

ARTICLE V

Section 5.01.	Amendment to Section 5.01 of the Indenture	19
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TABLE OF CONTENTS
(continued)

	Page
Section 5.02. Continuing Disclosure	19
Section 5.03. Amendment to Section 5.03 of the Indenture	19
Section 5.04. Amendment to Section 5.10 of the Indenture	19
Section 5.05. Amendment to Section 5.11 of the Indenture	20
Section 5.06. Amendment to Section 5.13 of the Indenture	21
 ARTICLE VI MISCELLANEOUS 	
Section 6.01. Benefit of First Supplemental Indenture	23
Section 6.02. Waiver of Personal Liability	23
Section 6.03. Amendment to Section 9.07 of the Indenture	23
Section 6.04. Partial Invalidity	23
Section 6.05. Governing Law	23
Section 6.06. Execution in Counterparts	23
EXHIBIT A FORM OF SERIES 2017 BOND	1

FIRST SUPPLEMENTAL INDENTURE OF TRUST

This FIRST SUPPLEMENTAL INDENTURE OF TRUST, dated as of _____ 1, 2017 (the “First Supplemental Indenture”), by and between the SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY, a public entity existing under the laws of the State of California (the “Successor Agency”), as successor to the San Marcos Redevelopment Agency, and MUFG UNION BANK, N.A., a national banking association duly organized and existing under the laws of the United States of America, as trustee (the “Trustee”), pursuant to and in order to amend and supplement that Indenture of Trust, dated as of July 1, 2015 (the “Indenture”) by and between the Successor Agency and the Trustee, to provide for the issuance of Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017.

WITNESSETH:

WHEREAS, the Successor Agency and the Trustee executed and delivered the Indenture relating to the Successor Agency’s Tax Allocation Refunding Bonds, Series 2015A which were issued in the aggregate principal amount of \$84,710,000 on July 14, 2015 (the “Series 2015A Bonds”) and the Successor Agency’s Taxable Tax Allocation Refunding Bonds, Series 2015B which were issued in the aggregate principal amount of \$139,285,000 on July 14, 2015 (the “Series 2015B Bonds” and together with the Series 2015A Bonds, the “Series 2015 Bonds”); and

WHEREAS, pursuant to Section 3.04 of the Indenture, the Successor Agency may issue or incur additional Parity Debt for purposes of refunding any existing debt of the Successor Agency so long as Section 34117.5(a) of the Redevelopment Law has been satisfied; and

WHEREAS, the San Marcos Redevelopment Agency (the “Former Agency”) entered into a Trust Indenture, dated as of December 1, 2010 (the “Prior Indenture”) with Union Bank, N.A., currently known as MUFG Union Bank, N.A., as trustee (the “Prior Trustee”), pursuant to which the Former Agency issued its Housing Set-Aside Tax Allocation Bonds, Series 2010 (Taxable) (the “Housing Bonds”); and

WHEREAS, by implementation of California Assembly Bill X1 26, which amended provisions of the California Redevelopment Law (found at Health and Safety Code Section 33000, et.seq.) and the California Supreme Court’s decision in *California Redevelopment Association v. Matosantos*, the Former Agency was dissolved on February 1, 2012, in accordance with California Assembly Bill X1 26 approved by the Governor of the State of California on June 28, 2011 (as amended, the “Dissolution Act”), and on February 1, 2012, the Successor Agency, in accordance with and pursuant to the Dissolution Act, assumed the duties and obligations of the Former Agency as provided in the Dissolution Act, including, without limitation, the obligations of the Former Agency under the Prior Indenture and related documents to which the Former Agency was a party; and

WHEREAS, Section 34177.5(a)(1) of the Dissolution Act authorizes the Successor Agency to undertake proceedings for the refunding of outstanding bonds and other obligations of the Former Agency, subject to the conditions precedent contained in said Section 34177.5; and

WHEREAS, said Section 34177.5 also authorizes the Successor Agency to issue bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Refunding Law”) for the purpose of achieving debt service savings within the parameters set forth in said Section 34177.5; and

WHEREAS, the Successor Agency has determined that it will achieve debt service savings within such parameters by the issuance pursuant to the Redevelopment Law and the Refunding Law of its Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017 (the “Series 2017 Bonds”) in an aggregate principal amount not to exceed \$_____ in order to refund the Housing Bonds; and

[WHEREAS, the Successor Agency will cause the delivery of the Series 2017 Reserve Policy (as defined in Section 1.03 hereto) by _____ (as defined in Section 1.01 hereto) to the Trustee on the Closing Date (as defined in Section 1.03 hereto) to satisfy the Reserve Requirement (as defined in Section 1.03 hereto) for the Series 2017 Bonds; and]

WHEREAS, in order to provide for the authentication and delivery of the Series 2017 Bonds, to establish and declare the terms and conditions upon which the Series 2017 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Successor Agency and the Trustee have duly authorized the execution and delivery of this First Supplemental Indenture; and

WHEREAS, the Indenture provides that it may be modified or amended at any time by a Supplemental Indenture (as such term is defined in the Indenture), but without the consent of any Owners to provide for the issuance of Parity Debt (as such term is defined in the Indenture) and to provide the terms and conditions under which such Parity Debt may be issued; and

WHEREAS, all acts and proceedings required by law necessary to make the Series 2017 Bonds when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor Agency, and to constitute this Indenture a legal, valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken;

NOW, THEREFORE, in order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Series 2017 Bonds and any other Outstanding Bonds issued under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Series 2017 Bonds and any other Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2017 Bonds and any other Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Successor Agency and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Series 2017 Bonds and any other Bonds, as follows:

ARTICLE I

AUTHORITY AND AMENDMENT OF INDENTURE; DEFINITIONS

Section 1.01. Authority for this First Supplemental Indenture. This First Supplemental Indenture is entered into pursuant to the provisions of the Indenture, the Refunding Law and the Redevelopment Law.

Section 1.02. Amendment of Indenture. This First Supplemental Indenture amends and supplements the Indenture for the purpose of providing for the issuance, execution, authentication and delivery of the Series 2017 Bonds as Parity Debt (as defined in Section 1.01 of the Indenture). Regardless of the specific provisions of the Indenture, and except as specifically provided in Article II hereof, the terms “Bonds” as used in the Indenture shall refer and be applicable, to the same extent and with the same effect, to the Series 2015 Bonds and the Series 2017 Bonds and the term “Owner” shall refer and be applicable, to the same extent and with the same effect, to the Owners of the Series 2015 Bonds and the Owners of the Series 2017 Bonds. Unless specifically defined herein, words and terms used herein with initial letters capitalized have the meanings given to them in the Indenture. Except as provided below, the definitions of words and terms set forth in Section 1.01 of the Indenture are applicable for all purposes of this First Supplemental Indenture. If a word or term used herein and in the Indenture with initial letters capitalized is defined both herein and in the Indenture, the definition contained herein shall amend and supersede the definition contained in the Indenture.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

“Bond Year” means, with respect to the Series 2017 Bonds, any twelve-month period beginning on October 2 in any year and extending to the next succeeding October 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on October 1, 2018.

“Closing Date” means, with respect to the Series 2017 Bonds, the date on which the Series 2017 Bonds are delivered by the Successor Agency to the Original Purchaser.

“Credit Facility” is amended to mean (i) the Reserve Policy, [(ii) the Series 2017 Reserve Policy] or (iii) an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the provisions of the Indenture, provided that all of the following requirements are met by the Successor Agency at the time of delivery thereof to the Trustee: (a) the long-term credit rating of such bank or insurance company is in one of the three highest rating categories by S&P; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the provisions of the Indenture; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account for the purpose of making payments

required pursuant to the provisions of the Indenture; and (e) prior written notice is given to the Trustee before the effective date of any such Credit Facility.

“Escrow Agreement” means the Escrow Deposit and Trust Agreement, dated as of _____ 1, 2017, by and between the Successor Agency and the Escrow Bank pertaining to the Housing Bonds.

“Escrow Bank” means MUFG Union Bank, N.A., acting in its capacity as the escrow bank pursuant to the Escrow Agreement.

“First Supplemental Indenture” means this First Supplemental Indenture, dated as of _____ 1, 2017, by and between the Successor Agency and the Trustee, pursuant to and in order to amend and supplement the Indenture.

“Interest Payment Date” means, with respect to the Series 2017 Bonds, each April 1 and October 1, commencing April 1, 2018, for so long as any of the Series 2017 Bonds remain unpaid.

“Office” is amended to mean, with respect to the Trustee, the corporate trust office of the Trustee at 445 S. Figueroa Street, Suite 401, Los Angeles, California 90071, or at such other or additional offices as may be specified by the Trustee in writing to the Successor Agency, provided that for the purposes of maintenance of the Registration Books and presentation of Bonds for transfer, exchange or payment such term shall mean the office of the Trustee at which it conducts its corporate agency business.

“Original Purchaser” means, with respect to the Series 2017 Bonds, Stifel, Nicolaus & Company, Incorporated, as the original purchasers of the Series 2017 Bonds.

“Parity Debt” is amended to mean any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency on parity with the Series 2015 Bonds and the Series 2017 Bonds pursuant to Section 3.04 of the Indenture.

“Reserve Requirement” means, with respect to the Series 2017 Bonds, as of any calculation date, the least of (i) ten percent (10%) of the original principal amount of the Series 2017 Bonds, (ii) Maximum Annual Debt Service with respect to the Series 2017 Bonds, or (iii) 125% of average Annual Debt Service on the Series 2017 Bonds; provided that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Credit Facility meeting the requirements of Section 4.03(d) of the Indenture.

“RPTTF Disbursement Period” means the six month fiscal period beginning each January 2 and June 1 of each year.

“Series 2017 Continuing Disclosure Certificate” shall mean the Continuing Disclosure Certificate executed and delivered by the Successor Agency for the benefit of the Owners of the Series 2017 Bonds and any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2017 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Series 2017 Bonds for federal income tax purposes, and in order to assist the

Original Purchaser in complying with Rule 15c2 12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Series 2017 Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Successor Agency and related to the authorization, sale and issuance of the Series 2017 Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Trustee including its first annual administration fee, expenses incurred by the Successor Agency in connection with the issuance of the Series 2017 Bonds, fees and charges of the Trustee for paying and redeeming the Housing Bonds, underwriter’s discount, original issue discount, legal fees and charges, including Bond Counsel and financial consultant’s fees, costs of cash flow verification, premiums for any reserve policy the Successor Agency may purchase, rating agency fees, charges for execution, transportation and safekeeping of the Series 2017 Bonds and other costs, charges and fees in connection with the original issuance of the Series 2017 Bonds.

“Series 2017 Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.04 hereto.

“Series 2017 Reserve Sub-Account” means the sub-account by that name established and held by the Trustee pursuant to Section 4.03(d) of the Indenture.

[“Series 2017 Reserve Policy” means the municipal bond debt service reserve insurance policy issued by _____ deposited into the Series 2017 Reserve Sub-Account securing the Series 2017 Bonds.]

“Series 2017 Bonds” the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017, issued in the initial principal amount of \$_____.

[“Series 2017 Term Bonds” means the Series 2017 Bonds maturing on October 1, 20____, and October 1, 20____ .]

ARTICLE II

AUTHORIZATION AND TERMS OF SERIES 2017 BONDS

Section 2.01. Authorization and Purpose of Series 2017 Bonds. The Successor Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Series 2017 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Successor Agency is now duly empowered, pursuant to each and every requirement of law, to issue the Series 2017 Bonds in the manner and form provided in the Indenture as modified and supplemented by this First Supplemental Indenture.

The Series 2017 Bonds in the aggregate principal amount of _____ Dollars (\$_____) are hereby authorized to be issued by the Successor Agency under the Refunding Law and the Redevelopment Law as Parity Debt for the purpose of providing funds to refund the Housing Bonds. The Series 2017 Bonds shall be authorized and issued under, and shall be subject to the terms of, the Indenture as modified and supplemented by this First Supplemental Indenture and the Redevelopment Law. The Series 2017 Bonds shall be designated the “Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017.”

Section 2.02. Terms of the Series 2017 Bonds. The Series 2017 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2017 Bond shall have more than one maturity date. The Series 2017 Bonds shall mature on October 1 in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360 day year comprised of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2018	\$	%
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		

Interest on the Series 2017 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the preceding Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any Owner of Series 2017 Bonds of the same series in the aggregate amount of \$1,000,000 or more who shall furnish written instructions to the Trustee before the applicable Record Date. Any such written instructions shall remain in effect until rescinded in writing by the Owner. Principal of and premium (if any) on any Series 2017 Bond shall be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Office of the Trustee and shall be payable in lawful money of the United States of America.

Each Series 2017 Bond shall be dated as of the Closing Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before March 15, 2018, in which event it shall bear interest from the Closing Date; *provided, however,* that if, as of the date of authentication of any Series 2017 Bond, interest thereon is in default, such Series 2017 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.03. Redemption of Series 2017 Bonds.

(a) Optional Redemption. The Series 2017 Bonds maturing on or before October 1, 20__, are not subject to optional redemption prior to maturity. The Series 2017 Bonds maturing on and after October 1, 20__, are subject to redemption, at the option of the Successor Agency on any date on or after October 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Series 2017 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Successor Agency shall be required to give the Trustee written notice of its intention to redeem Series 2017 Bonds under this Section 2.03(a) at least 60 days prior to the date to be fixed for redemption or such later date as shall be permitted by the Trustee and the Successor Agency shall deposit all amounts required for any redemption pursuant to this Section 2.03(a) at least one Business Day prior to the date fixed for such redemption.

(b) [Mandatory Sinking Account Redemption]. The Series 2017 Bonds maturing on October 1, 20__, and October 1, 20__, shall also be subject to redemption in whole, or in part by lot, on October 1 in each of the years as set forth in the following tables, from Sinking Account payments made by the Successor Agency pursuant to Section 4.03(c) of the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased pursuant to the succeeding paragraph of this subsection (b), in the aggregate

respective principal amounts and on the respective dates as set forth in the following tables; *provided, however*, that if some but not all of such Series 2017 Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future Sinking Account payments pursuant to this subsection (b) with respect to such Series 2017 Bonds shall be reduced by the aggregate principal amount of such Series 2017 Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency (written notice of which determination shall be given by the Successor Agency to the Trustee).

Series 2017 Term Bonds Maturing October 1, 20__

Sinking Account Redemption Date <u>(October 1)</u> (maturity)	Principal Amount <u>To Be Redeemed</u> \$
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Series 2017 Term Bonds Maturing October 1, 20__

Sinking Account Redemption Date <u>(October 1)</u> (maturity)	Principal Amount <u>To Be Redeemed</u> \$
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In lieu of redemption of the Series 2017 Bonds pursuant to the preceding paragraph, amounts on deposit in the Debt Service Fund (to the extent not required to be transferred by the Trustee pursuant to Section 4.03 during the current Bond Year) may also be used and withdrawn at the direction of the Successor Agency at any time for the purchase of such Series 2017 Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine. The par amount of any of such Series 2017 Bonds so purchased by the Successor Agency in any twelve-month period ending on July 1 in any year shall be credited towards and shall reduce the par amount of such Series 2017 Bonds required to be redeemed pursuant to this subsection (b) on the next succeeding October 1.]

(c) Notice of Redemption, Rescission. Subject to Section 2.03(d), the Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, to (i) the Owners of any Series 2017 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services designated in a Request of the Successor Agency delivered to the Trustee (by any means acceptable to such depositories and services in substitution of first class mail); *provided, however*, that such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect

therein shall affect the validity of the proceedings for the redemption of such Series 2017 Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall, if applicable, designate the CUSIP number of the Series 2017 Bonds to be redeemed, shall state the individual number of each Series 2017 Bond to be redeemed or state that all Series 2017 Bonds between two stated numbers (both inclusive) or shall state that all of the Series 2017 Bonds Outstanding of one or more maturities are to be redeemed, and shall require that such Series 2017 Bonds be then surrendered at the Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on the Series 2017 Bonds to be redeemed will not accrue from and after the date fixed for redemption.

The Successor Agency shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series 2017 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Successor Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

(d) Partial Redemption of Series 2017 Bonds. In the event only a portion of any Series 2017 Bond is called for redemption, then upon surrender thereof the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Series 2017 Bond or Bonds of the same interest rate and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series 2017 Bond to be redeemed.

(e) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Series 2017 Bonds so called for redemption shall have been duly deposited with the Trustee, such Series 2017 Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

(f) Manner of Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the maturity of the Series 2017 Bonds, the Trustee shall select the Series 2017 Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Series 2017 Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Series 2017 Bonds that may be separately redeemed.

Section 2.04. Form of Series 2017 Bonds. The Series 2017 Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.05. Authentication and Delivery of Series 2017 Bonds. The Series 2017 Bonds shall be executed on behalf of the Successor Agency by the signature of its Chairman, Executive Director or the Finance Director of the City and the signature of its Secretary who are in office on the date of execution and delivery of this Indenture or at any time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Series 2017 Bond ceases to be such officer before the Closing Date, such signature shall nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Series 2017 Bond may be signed and attested on behalf of the Successor Agency by such persons as at the actual date of the execution of such Series 2017 Bond shall be the proper officers of the Successor Agency, duly authorized to execute debt instruments on behalf of the Successor Agency, although on the date of such Series 2017 Bond any such person shall not have been such officer of the Successor Agency.

Only such of the Series 2017 Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A, manually executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this First Supplemental Indenture, and such certificate of the Trustee shall be conclusive evidence that such Series 2017 Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this First Supplemental Indenture.

Section 2.06. Transfer of Series 2017 Bonds. Subject to the limitations set forth below, any Series 2017 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2017 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Transfer of any Series 2017 Bond shall not be permitted by the Trustee during the fifteen (15) day period preceding the selection of Series 2017 Bonds for redemption or if such Series 2017 Bond has been selected for redemption pursuant to Section 2.03 of the Indenture. Whenever any Series 2017 Bonds shall be surrendered for transfer, the Successor Agency shall execute and the Trustee shall authenticate and shall deliver a new Series 2017 Bond for a like aggregate principal amount and of like series and maturity. The Trustee may require the Series 2017 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Series 2017 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Successor Agency.

Section 2.07. Exchange of Series 2017 Bonds. Any Series 2017 Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of Series 2017 Bonds of other authorized denominations and of like series and maturity. Exchange of any Series 2017 Bond shall not be permitted during the fifteen (15) day period preceding the selection of Series 2017 Bonds for redemption or if such Series 2017 Bond has been selected for redemption pursuant to Section 2.03 of the Indenture. The Trustee may require the Series 2017 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Series 2017 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Successor Agency.

Section 2.08. Registration Books. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Series 2017 Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the Successor Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Series 2017 Bonds as hereinbefore provided.

Section 2.09. Temporary Bonds. The Series 2017 Bonds may be initially issued in temporary form exchangeable for definitive Series 2017 Bonds when ready for delivery. The temporary Series 2017 Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Successor Agency, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Series 2017 Bond shall be executed by the Successor Agency upon the same conditions and in substantially the same manner as the definitive Series 2017 Bonds. If the Successor Agency issues temporary Series 2017 Bonds it will execute and furnish definitive Series 2017 Bonds without delay, and thereupon the temporary Series 2017 Bonds shall be surrendered, for cancellation, in exchange therefor at the Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Series 2017 Bonds an equal aggregate principal amount of definitive Series 2017 Bonds of authorized denominations. Until so exchanged, the temporary Series 2017 Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Series 2017 Bonds authenticated and delivered hereunder.

Section 2.10. Series 2017 Bonds Mutilated, Lost, Destroyed or Stolen. If any Series 2017 Bond shall become mutilated, the Successor Agency, at the expense of the Owner of such Series 2017 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Series 2017 Bond of like series and tenor in exchange and substitution for the Series 2017 Bond so mutilated, but only upon surrender to the Trustee of the Series 2017 Bond so mutilated. Every mutilated Series 2017 Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Successor Agency. If any Series 2017 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory and indemnity satisfactory to the Trustee shall be given, the Successor Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Series 2017 Bond of like series and tenor in lieu of and in substitution for the Series 2017 Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Series 2017 Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Series 2017 Bond issued under the provisions of this Section in lieu of any Series 2017 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Successor Agency whether or not the Series 2017 Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this First Supplemental Indenture with all other Series 2017 Bonds issued pursuant to this First Supplemental Indenture.

Notwithstanding any other provision of this Section 2.10, in lieu of delivering a new Series 2017 Bond for which principal has become due for a Series 2017 Bond which has been

mutilated, lost, destroyed or stolen, the Trustee may make payment of such Series 2017 Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

Section 2.11. Book Entry Form.

(a) Original Delivery to Depository. The Series 2017 Bonds shall be initially delivered to DTC in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Series 2017 Bonds. Upon initial delivery, the ownership of each such Series 2017 Bond shall be registered on the Registration Books in the name of Cede & Co., as nominee (the “Nominee”) of the Depository Trust Company (“Depository”). Except as provided in subsection (c), the ownership of all of the Outstanding Series 2017 Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Series 2017 Bonds the ownership of which shall be registered in the name of the Nominee, the Successor Agency and the Trustee shall have no responsibility or obligation to any Depository participant (“Depository System Participant”) or to any person on behalf of which the Successor Agency holds an interest in the Series 2017 Bonds. Without limiting the generality of the immediately preceding sentence, the Successor Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Series 2017 Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Series 2017 Bond Owner as shown in the Registration Books, of any notice with respect to the Series 2017 Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Series 2017 Bonds to be redeemed in the event the Successor Agency elects to redeem the Series 2017 Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Series 2017 Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Series 2017 Bonds or (v) any consent given or other action taken by the Depository as Owner of the Series 2017 Bonds. The Successor Agency and the Trustee may treat and consider the person in whose name each Series 2017 Bond is registered as the absolute owner of such Series 2017 Bond for the purpose of payment of principal of and premium, if any, and interest on such Series 2017 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2017 Bond, for the purpose of registering transfers of ownership of such Series 2017 Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Series 2017 Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Series 2017 Bonds to the extent of the sum or sums so paid. No person other than a Series 2017 Bond Owner shall receive a Series 2017 Bond evidencing the obligation of the Successor Agency to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Successor Agency shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Series 2017 Bonds for the Depository's book-entry system, the Successor Agency shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Series 2017 Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Successor Agency or the Trustee any obligation whatsoever with respect to persons having interests in the Series 2017 Bonds other than the Series 2017 Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Successor Agency may take any other actions, not inconsistent with this Indenture, to qualify the Series 2017 Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Series 2017 Bonds, or (ii) the Successor Agency determines to terminate the Depository as such, then the Successor Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Successor Agency and the Trustee in the issuance of replacement Series 2017 Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Series 2017 Bonds, and by surrendering the Series 2017 Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Series 2017 Bonds are to be issued. The Depository, by accepting delivery of the Series 2017 Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Successor Agency fails to identify another Securities Depository to replace the Depository, then the Series 2017 Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Series 2017 Bonds shall designate, in accordance with the provisions hereof.

In the event the Successor Agency determines that it is in the best interests of the beneficial owners of the Series 2017 Bonds that they be able to obtain certificated Series 2017 Bonds, the Successor Agency may notify the Depository System Participants of the availability of such certificated Series 2017 Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Series 2017 Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Successor Agency shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Series 2017 Bonds to any Depository System Participant having Series 2017 Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Series 2017 Bonds, all at the Successor Agency's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Series 2017 Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Series 2017 Bond and all notices with respect to such Series 2017 Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF SERIES 2017 BONDS

Section 3.01. Issuance of Series 2017 Bonds. Upon the execution and delivery of this First Supplemental Indenture, the Successor Agency shall execute and deliver the Series 2017 Bonds in the aggregate principal amount of \$_____ to the Trustee, and the Trustee shall authenticate and deliver the Series 2017 Bonds to the Original Purchaser upon receipt of a Request of the Successor Agency therefor.

Section 3.02. Deposit and Application of Proceeds. On the Closing Date, the Original Purchaser shall purchase the Series 2017 Bonds for a purchase price of \$_____ (being the initial aggregate principal amount of the Series 2017 Bonds of \$_____ *plus/less* original issue premium/discount of \$_____, and *less* Original Purchasers' discount of \$_____). The Trustee shall forthwith set aside, pay over and deposit such proceeds, [*less* the amount of \$_____ paid to _____ by the Original Purchaser], as follows (provided that the details of the receipt and deposit of such proceeds shall be set forth in a closing instruction from the Successor Agency to the Trustee):

(a) Transfer the amount of \$_____ to the Escrow Bank for deposit in the Escrow Fund established pursuant to the Escrow Agreement;

(b) Deposit the amount of \$_____ in the Series 2017 Costs of Issuance Fund.

The Trustee may establish one or more temporary funds or accounts to facilitate such deposits and transfers.

Section 3.03. Series 2017 Reserve Sub-Account. Pursuant to Section 4.03(d) of the Indenture, there is hereby created and established in the Reserve Account to be maintained by the Trustee, the Series 2017 Reserve Sub-Account. The Reserve Requirement for the Series 2017 Bonds will be satisfied by the delivery of the Series 2017 Reserve Policy by _____ on the Closing Date with respect to the Series 2017 Bonds. The Successor Agency will have no obligation to replace the Series 2017 Reserve Policy or to fund the Series 2017 Reserve Sub-Account with cash if, at any time that the Series 2017 Bonds are Outstanding amounts are not available under the Series 2017 Reserve Policy other than in connection with a draw on the Series 2017 Reserve Policy. The Series 2017 Reserve Policy will be held in the Series 2017 Reserve Sub-Account as security solely for the Series 2017 Bonds.

Section 3.04. Series 2017 Costs of Issuance Fund. There is hereby established a separate fund to be known as the "Series 2017 Costs of Issuance Fund," which shall be held by the Trustee in trust. The moneys in the Series 2017 Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Series 2017 Costs of Issuance upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date six months following the Closing Date, or upon the earlier Written Request of the Successor Agency stating that all known Series

2017 Costs of Issuance have been paid, all amounts, if any, remaining in the Series 2017 Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Debt Service Fund and the Series 2017 Costs of Issuance Fund shall be closed.

Section 3.05. Provisions Relating to Series 2017 Reserve Policy. [To be inserted upon receipt of commitment for a reserve policy and acceptance by the Successor Agency.]

ARTICLE IV

AMENDMENTS TO SECTIONS 4.01 AND 4.02 OF THE INDENTURE

Section 4.01. Amendment to Section 4.01 of the Indenture. Section 4.01 of the Indenture is hereby amended in its entirety to read as follows:

“Section 4.01. Pledge of Pledged Tax Revenues. Except as provided in Section 6.06, the Series 2015 Bonds, the Series 2017 Bonds and all other Parity Debt, shall be secured by a pledge of, security interest in and lien on all of the Pledged Tax Revenues. In addition, the Series 2015 Bonds, the Series 2017 Bonds and any other Parity Debt, shall, subject to Section 8.02, be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Redemption Account and the Reserve Account. Such pledge, security interest in and lien shall be for the equal security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Pledged Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Series 2015 Bonds and the Series 2017 Bonds by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Series 2015 Bonds and the Series 2017 Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Series 2015 Bonds and the Series 2017 Bonds without preference, priority or distinction as to security or otherwise of any of the Series 2015 Bonds or the Series 2017 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.”

Section 4.02. Amendment to Section 4.02 of the Indenture. Section 4.02 of the Indenture is hereby amended in its entirety to read as follows:

“Section 4.02. Redevelopment Obligation Retirement Fund; Deposit of Pledged Tax Revenues. There has been established a special trust fund known as the “Redevelopment Obligation Retirement Fund,” which shall be held by the Successor

Agency pursuant to Section 34170.5(b) of the California Health and Safety Code. There is hereby established a special trust fund known as the "Debt Service Fund" and the accounts therein referred to below which shall be held by the Trustee in accordance with this Indenture.

The Successor Agency shall take all actions required under the Dissolution Act to include on each ROPS to be submitted after the effective date of this Indenture and prior to _____, 2017, so as to enable the County Auditor-Controller to distribute from the RPTTF to the Successor Agency, for deposit into the Redevelopment Obligation Retirement Fund on each RPTTF disbursement date, the following amounts: (i) the interest payment coming due with respect to the Outstanding Bonds during such RPTTF Disbursement Period, (ii) for ROPS which covers payment from January through June of any calendar year, at least one-half of the principal amount coming due with respect to the Bonds on October 1st of such calendar year (the "Principal Reserve"), (iii) for ROPS which covers payments from July through December of any calendar year, an amount equal to the principal amount coming due on October 1st of such calendar year, less the Principal Reserve already received in connection with the immediately prior RPTTF disbursement and deposited with the Trustee, and (iv) any amount required under this Indenture to replenish the Reserve Account, if required pursuant to Section 4.03(d) or Section 4.06 of this Indenture (and any provision amendatory thereto as set forth in supplement indentures).

The Successor Agency shall take all actions required under the Dissolution Act to include on each ROPS to be submitted after the effective date of this Indenture, so as to enable the County Auditor-Controller to distribute from the RPTTF to the Successor Agency, for deposit into the Redevelopment Obligation Retirement Fund on each RPTTF disbursement date, the following amounts: (i) the interest payment coming due with respect to the Outstanding Bonds during such RPTTF Disbursement Period, (ii) for ROPS which covers payment from January through June of any calendar year, at least one-half of the principal amount coming due with respect to the Bonds on October 1st of such calendar year (the "Principal Reserve"), (iii) for ROPS which covers payments from July through December of any calendar year, an amount equal to the principal amount coming due on October 1st of such calendar year, less the Principal Reserve already received in connection with the immediately prior RPTTF disbursement and deposited with the Trustee, and (iv) any amount required under this Indenture to replenish the Reserve Account, if required pursuant to Section

4.03(d) or Section 4.06 of this Indenture (and any provision amendatory thereto as set forth in supplement indentures).

The Successor Agency shall deposit all of the Pledged Tax Revenues received from each distribution of Pledged Tax Revenues in any Bond Year commencing on the first day of such Bond Year from the RPTTF in accordance with the Dissolution Act for the purpose of paying debt service on the Series 2015 Bonds, the Series 2017 Bonds and any other Parity Debt in the Redevelopment Obligation Retirement Fund immediately upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee for deposit in the Debt Service Fund established and held under this Indenture until such time that the aggregate amounts on deposit in such Debt Service Fund equal the aggregate amounts required to be deposited into the Interest Account, the Principal Account and the Reserve Account in each six month period of such Bond Year pursuant to Section 4.03 of this Indenture and for deposit in each such six month period of each Bond Year in the funds and accounts established with respect to other Parity Bonds, as provided in any Supplemental Indenture.”

ARTICLE V

AMENDMENT TO OTHER COVENANTS OF THE SUCCESSOR AGENCY

Section 5.01. Amendment to Section 5.01 of the Indenture. Section 5.01 of the Indenture is hereby amended in its entirety to read as follows:

“Section 5.01. Punctual Payment. The Successor Agency shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Series 2015 Bonds, the Series 2017 Bonds and Parity Debt in strict conformity with the terms of the Series 2015 Bonds, the Series 2017 Bonds and of this Indenture. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures. Nothing herein contained shall prevent the Successor Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to herein.

Section 5.02. Continuing Disclosure. The Successor Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Series 2017 Continuing Disclosure Certificate, if any, executed and delivered by the Successor Agency. Notwithstanding any other provision hereof, failure of the Successor Agency to comply with such Series 2017 Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture; provided, however, that the Original Purchaser or any Owner or beneficial owner of the Series 2017 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under this Section 4.02.

Section 5.03. Amendment to Section 5.03 of the Indenture. Section 5.03 of the Indenture is hereby amended in its entirety to read as follows:

“The Successor Agency hereby covenants that so long as any of the Bonds remain Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations which are otherwise secured on a basis which is senior to the pledge and lien which secures the Bonds. The Successor Agency hereby covenants that it shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Pledged Tax Revenues, excepting only the Bonds and Parity Debt, any Subordinate Debt and any obligations entered into pursuant to Section 5.10.”

Section 5.04. Amendment to Section 5.10 of the Indenture. Section 5.10 of the Indenture is hereby amended in its entirety to read as follows:

“Section 5.10. Maintenance of Pledged Tax Revenues. The Successor Agency shall comply with all requirements of the

Redevelopment Law to ensure the allocation and payment to it of the Pledged Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State of California. The Successor Agency shall not enter into any agreement with the County or any other governmental unit which would have the effect of reducing the amount of Pledged Tax Revenues available to the Successor Agency for payment of the Bonds. The Successor Agency shall not undertake proceedings for amendment of the Redevelopment Plans or any one or more of the Redevelopment Plans if such amendment shall result in payments to one of more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless the Successor Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Successor Agency's ability to pay the Series 2015 Bonds, the Series 2017 Bonds and all other Parity Debt. Nothing herein is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Successor Agency of any such agreement, amendment or supplement which by its term is subordinate to the payment of the Series 2015 Bonds, the Series 2017 Bonds and all other Parity Debt.

Section 5.05. Amendment to Section 5.11 of the Indenture. Section 5.11 of the Indenture is hereby amended in its entirety to read as follows:

“Section 5.11. Compliance with the Redevelopment Law; Recognized Obligation Payment Schedules. The Successor Agency shall comply with all of the requirements of the Redevelopment Law and the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants hereunder. Further, it will take all actions required under the Dissolution Act to include scheduled debt service on the Series 2015 Bonds, the Series 2017 Bonds and any other Parity Debt, as well as any amount required under this Indenture to replenish the Reserve Accounts of the Debt Service Fund, in Recognized Obligation Payment Schedules so as to enable the San Diego County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective RPTTF Disbursement Period. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment

Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with this Indenture and to provide for the payment of principal and interest under this Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under this Indenture for the next payment due thereunder and hereunder in the following six-month period.”

Section 5.06. Amendment to Section 5.13 of the Indenture. Section 5.13 of the Indenture is hereby amended in its entirety to read as follows:

“Section 5.13. Plan Limitations; Annual Review of Pledged Tax Revenues. The Successor Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Pledged Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Successor Agency to pay the principal of and interest and premium (if any) on the Series 2015 Bonds, the Series 2017 Bonds and any other Parity Debt when due.

Additionally, the Successor Agency hereby covenants that, if it is determined that the Plan Limitations apply to the Successor Agency, it will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Successor Agency under the Plan Limitations, as well as future cumulative Annual Debt Service, any obligations of the Successor Agency payable from tax increment revenues that are senior to the Series 2015 Bonds, and payments on obligations that are subordinate to the Series 2015 Bonds, the Series 2017 Bonds and any other Parity Debt. If, based on such review, the allocation of tax increment revenues to the Successor Agency in any of the next three succeeding Fiscal Years will cause an amount equal to ninety-five (95%) of the amount remaining under the Plan Limitations to fall below the sum of (i) remaining cumulative Annual Debt Service, (ii) any obligations of the Successor Agency payable from tax increment revenues that are senior to the Series 2015 Bonds and the Series 2017 Bonds, and (iii) payments on obligations that are subordinate to the Series 2015 Bonds, the Series 2017 Bonds and any other Parity Debt, the Successor Agency shall either (1) defease Series 2015 Bonds, Series 2017 Bonds or other Parity Debt by depositing an amount of Pledged Tax Revenues equal to the amount that is required to ensure continuing compliance with the first paragraph of this Section 5.13 in a defeasance escrow to be held by the Trustee and

to be pledged solely to the payment of debt service on the Series 2015 Bonds, the Series 2017 Bonds or other Parity Debt, which escrow shall be invested in Defeasance Obligations and used for the payment of interest on and principal of and redemption premiums, if any, on the Series 2015 Bonds, the Series 2017 Bonds or other Parity Debt or (2) adopt a plan approved by an Independent Redevelopment Consultant which demonstrates the Successor Agency's continuing ability to pay debt service on the Series 2015 Bonds, the Series 2017 Bonds and other Parity Debt. In determining the amount to be deposited in escrow with the Trustee, the Successor Agency may consider actual interest earnings on the amounts so deposited.

The Trustee shall not be responsible for monitoring or enforcing the requirements of this Section 5.13.”

ARTICLE VI

MISCELLANEOUS

Section 6.01. Benefit of First Supplemental Indenture. Nothing in this First Supplemental Indenture, expressed or implied, is intended to give any person other than the Successor Agency, the Trustee and the Owners of the Series 2017 Bonds, any right, remedy or claim under or by reason of this First Supplemental Indenture. Any covenants, stipulations, promises or agreements in this First Supplemental Indenture contained by and on behalf of the Successor Agency shall be for the sole and exclusive benefit of the Owners of the Series 2017 Bonds and Trustee.

Section 6.02. Waiver of Personal Liability. No member, officer, agent or employee of the Successor Agency shall be individually or personally liable for the payment of the principal of or interest or any premium on the Series 2017 Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 6.03. Amendment to Section 9.07 of the Indenture. Section 9.07 of the Indenture is hereby amended in its entirety to read as follows:

“Section 9.07. Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender to the Successor Agency of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the Successor Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.”

Section 6.04. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this First Supplemental Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this First Supplemental Indenture. The Successor Agency and the Trustee hereby declare that they would have entered into this First Supplemental Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Series 2017 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this First Supplemental Indenture may be held illegal, invalid or unenforceable.

Section 6.05. Governing Law. This First Supplemental Indenture shall be construed and governed in accordance with the laws of the State.

Section 6.06. Execution in Counterparts. This First Supplemental Indenture 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 SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY has caused this First Supplemental Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and MUFG UNION BANK, N.A., in token of its acceptance of the trusts created hereunder, has caused this First Supplemental Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

SUCCESSOR AGENCY TO THE SAN
MARCOS REDEVELOPMENT AGENCY

By: _____
Executive Director

ATTEST:

Secretary

MUFG UNION BANK, N.A.,
as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF SERIES 2017 BOND

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

**SUCCESSOR AGENCY TO THE
SAN MARCOS REDEVELOPMENT AGENCY
TAXABLE TAX ALLOCATION REFUNDING BOND, SERIES 2017**

RATE OF INTEREST: MATURITY DATE: ORIGINAL ISSUE [CUSIP:]
DATE:
[Closing Date]

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

The SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY, a public entity duly existing under the laws of the State of California (the "Successor Agency"), for value received, hereby promises to pay (but only out of the Pledged Tax Revenues and other moneys and securities hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Series 2017 Bond, as defined herein (unless this Series 2017 Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Series 2017 Bond is authenticated on or prior to March 15, 2018, in which event it shall bear interest from the Original Issue Date identified above; *provided, however*, that if, at the time of authentication of this Series 2017 Bond, interest is in default on this Series 2017 Bond, this Series 2017 Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on April 1 and October 1 in each year, commencing April 1, 2018 (the "Interest Payment Dates"), until payment of such Principal Amount in full. The Principal Amount hereof is payable upon presentation hereof at the principal corporate trust office of MUFG Union Bank, N.A., as trustee (the "Trustee"), in Los Angeles, California or such other location as the trustee may designate. Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the preceding Record Date; provided that at the written

request of the owner of at least \$1,000,000 aggregate principal amount of Series 2017 Bonds, which written request is on file with the Trustee prior to any Record Date, interest on such Series 2017 Bonds shall be paid on the succeeding Interest Payment Date by wire transfer to an account of a financial institution within the United States of America as shall be specified in such written request.

This Series 2017 Bond is one of a duly authorized issue of bonds of the Successor Agency designated as the “Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017” (the “Series 2017 Bonds”) of an aggregate principal amount of _____ Dollars (\$_____) all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued on parity with the Successor Agency’s Series 2015 Bonds (defined below) pursuant to the provisions of the Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the “Refunding Law”) and the Community Redevelopment Law, constituting Part 1 of Division 24 of the California Health and Safety Code (the “Redevelopment Law”), and pursuant to an Indenture of Trust, dated as of July 1, 2015 (the “Original Indenture”), by and between the Successor Agency and the Trustee, as modified and supplemented by a First Supplemental Indenture of Trust, dated as of _____ 1, 2017 (the “First Supplemental Indenture” and together with the Original Indenture, the “Indenture”). The Successor Agency may issue or incur additional Parity Debt, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Successor Agency) and all supplements thereto and to the Refunding Law and the Redevelopment Law for a description of the terms on which the Series 2017 Bonds are issued, the provisions with regard to the nature and extent of the Pledged Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Series 2017 Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which the Registered Owner of this Series 2017 Bond, by acceptance hereof, assents and agrees. All capitalized terms used herein and not defined herein shall have the meanings given such terms in the Indenture.

The Series 2017 Bonds have been issued by the Successor Agency to refinance redevelopment activities of the Successor Agency. This Series 2017 Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Indenture) are payable from, and are secured by a charge and lien on the Pledged Tax Revenues derived by the Successor Agency from the Project Areas, duly designated redevelopment projects under the laws of the State of California, under and in accordance with the Indenture. As and to the extent set forth in the Indenture, all of the Pledged Tax Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest and premium (if any) on the Series 2017 Bonds, the Successor Agency’s Tax Allocation Refunding Bonds, Series 2015A (the “Series 2015A Bonds”), the Successor Agency’s Taxable Tax Allocation Refunding Bonds, Series 2015B Bonds (the “Series 2015B Bonds” and, together with the Series 2015A Bonds, the “Series 2015 Bonds”) and any such parity obligations. The Series 2017 Bonds, the Series 2015 Bonds and any such parity obligations are secured by a pledge on, security interest in and lien on the Pledged Tax Revenues which is subordinate to or on a parity with the pledge, security interest and lien on the Pledged Tax Revenues in favor of certain outstanding obligations

of the Successor Agency, as provided in the Indenture. Notwithstanding the foregoing, certain amounts out of Pledged Tax Revenues may be applied for other purposes as provided in the Indenture.

This Series 2017 Bond is not a debt of the County of San Diego, the State of California, or any of its political subdivisions, other than the Successor Agency, and neither said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Series 2017 Bond be payable out of any funds or properties other than the Pledged Tax Revenues.

The rights and obligations of the Successor Agency and the owners of the Series 2017 Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Series 2017 Bond or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the owner of such Series 2017 Bond, or shall reduce the percentages of the Series 2017 Bond owners required to effect any such modification or amendment.

The Series 2017 Bonds maturing on or before October 1, 20__, are not subject to optional redemption prior to maturity. The Series 2017 Bonds maturing on and after October 1, 20__ are subject to redemption, at the option of the Successor Agency on any date on or after October 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Series 2017 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

[The Series 2017 Bonds maturing on October 1, 20__, and October 1, 20__ are subject to mandatory sinking account redemption in part by lot, on October 1 in each of the years as set forth in the following tables, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium; *provided, however*, that if some but not all of such Series 2017 Bonds have been optionally redeemed pursuant to the preceding paragraph, the total amount of all Series 2017 Bonds to be redeemed thereafter from mandatory sinking account payments shall be reduced on a pro rata basis in integral multiples of \$5,000.

Term Series 2017 Bonds Maturing October 1, 20__

Sinking Account Redemption Date (October 1) (maturity)	Principal Amount To be Redeemed or Purchased \$
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Term Series 2017 Bonds Maturing October 1, 20__

Sinking Account	Principal Amount
Redemption Date	To be Redeemed
<u>(October 1)</u>	<u>or Purchased</u>
	\$
(maturity)	

]

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective owners of any Series 2017 Bonds designated for redemption at their addresses appearing on the Series 2017 Bond registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

The Successor Agency has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series 2017 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Successor Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

If this Series 2017 Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

In lieu of redemption of Series 2017 Bonds, amounts on deposit in the Debt Service Fund (as defined in the Indenture) may be withdrawn and used at the direction of the Successor Agency at any time to purchase such Series 2017 Bonds at public or private sale at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine. The par amount of any such Series 2017 Bonds so purchased by the Successor Agency in any twelve-month period ending on July 1 will be credited toward, and will reduce the par amount of, Series 2017 Bonds required to be redeemed pursuant to the Indenture on the next succeeding October 1 of such year.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all outstanding Series 2017 Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Series 2017 Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said corporate trust office of the Trustee in Los Angeles, California or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and

cancellation of this Series 2017 Bond. Upon registration of such transfer a new Series 2017 Bond or Series 2017 Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Successor Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Successor Agency and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Series 2017 Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Redevelopment Law and the laws of the State of California and that the amount of this Series 2017 Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by the Redevelopment Law or any laws of the State of California, and is not in excess of the amount of Series 2017 Bonds permitted to be issued under the Indenture.

This Series 2017 Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY has caused this Series 2017 Bond to be executed in its name and on its behalf with the facsimile signature of its Chair and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

SUCCESSOR AGENCY TO THE SAN
MARCOS REDEVELOPMENT AGENCY

By: _____
Chair

ATTEST:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Series 2017 Bonds described in the within-mentioned Indenture.

Dated: _____

MUFG UNION BANK, N.A., *as Trustee*

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Series 2017 Bond and do(es) hereby irrevocably constitute and appoint

_____ attorney,
to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

NOTICE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Series 2017 Bond in every particular without alteration or enlargement or any change whatsoever.

ESCROW DEPOSIT AND TRUST AGREEMENT

by and between

THE SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY

and

MUFG UNION BANK, N.A.

Dated as of _____ 1, 2017

Relating to

SAN MARCOS REDEVELOPMENT AGENCY
HOUSING SET-ASIDE
TAX ALLOCATION BONDS, SERIES 2010 (TAXABLE)

ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (this “Agreement”), dated as of _____ 1, 2017, by and between the SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY, a public entity existing under the laws of the State of California (the “Successor Agency”), as successor agency to the SAN MARCOS REDEVELOPMENT AGENCY (the “Former Agency”) and MUFG UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, acting as trustee for the Prior Bonds (defined below) and as escrow bank hereunder (as applicable, the “Prior Trustee” or the “Escrow Bank”);

WITNESSETH

WHEREAS, the Former Agency has previously issued its \$52,805,000 San Marcos Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2010 (Taxable) (the “Prior Bonds”) for the purpose of financing the acquisition and construction of affordable housing, pursuant to a Trust Indenture, dated as of December 1, 2010, between the Former Agency and the Prior Trustee, formerly known as Union Bank, N.A. (the “Prior Indenture”); and

WHEREAS, by implementation of California Assembly Bill X1 26, which amended provisions of the California Redevelopment Law, (found at Health and Safety Code Section 33000, et seq.) and the California Supreme Court’s decision in California Redevelopment Association v. Matosantos, the Former Agency was dissolved on February 1, 2012 in accordance with California Assembly Bill X1 26 approved by the Governor of the State of California on June 28, 2011 (“AB 26”), and on February 1, 2012, the Successor Agency, in accordance with and pursuant to AB 26, assumed the duties and obligations set forth in AB 26 for the Former Agency, including, without limitation, the obligations of the Former Agency under the Prior Indenture and related documents to which the Former Agency was a party; and

WHEREAS, the Successor Agency has determined that it is in the best financial interests of the Successor Agency to refund, at this time, the Prior Bonds; and

WHEREAS, in order to provide funds for such purpose, the Successor Agency is issuing the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017 (the “Refunding Bonds”) and applying a portion of the proceeds thereof, together with certain other moneys, for the purpose of redeeming the Prior Bonds on October 1, 2020 (the “Redemption Date”) at a redemption price of 100% (the “Redemption Price”) of par plus accrued interest to the Redemption Date as required under the Prior Indenture; and

WHEREAS, the Refunding Bonds are being issued pursuant to a First Supplemental Indenture of Trust, dated as of _____ 1, 2017, by and between the Successor

Agency and MUFG Union Bank N.A., as trustee (the “Trustee”), to amend and supplement the Indenture of Trust, dated as of July 1, 2015 (as amended and supplemented by the First Supplemental Indenture, the “Indenture”), by and between the Successor Agency and the Trustee to provide for the issuance of the Refunding Bonds on a parity with the Successor Agency’s Tax Allocation Refunding Bonds, Series 2015A and the Successor Agency’s Taxable Tax Allocation Refunding Bonds, Series 2015B previously issued pursuant to the Indenture; and

WHEREAS, the Successor Agency and the Escrow Bank wish to enter into this Agreement for the purpose of providing the terms and conditions relating to the deposit and application of moneys to provide for the redemption of the Prior Bonds in full, pursuant to and in accordance with the provisions of the Prior Indenture.

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

Section 1. Definition of Defeasance Securities. As used herein, the term “Defeasance Securities” means any of the following, or a combination thereof; (a) cash, (b) State and Local Government Series securities issued by the United States Treasury, (c) United States Treasury bills, notes and bonds, as traded on the open market, which are not subject to optional call or redemption, and (d) zero coupon United States Treasury Bonds.

Section 2. Establishment of Escrow Fund. There is hereby created the Escrow Fund (the “Escrow Fund”) to be held by the Escrow Bank as an irrevocable escrow securing the payment of the Prior Bonds as hereinafter set forth until the Redemption Price of the Prior Bonds plus accrued interest has been paid in full. All cash in the Escrow Fund is hereby irrevocably pledged as a special fund for the payment of Redemption Price plus accrued interest on the Prior Bonds on the Redemption Date in accordance with the provisions of the Prior Indenture and this Escrow Agreement. If at any time the Escrow Bank shall receive actual knowledge that the cash in the Escrow Fund will not be sufficient to make any payments required by Section 4 hereof, the Escrow Bank shall notify the Successor Agency of such fact and the Successor Agency shall immediately cure such deficiency from any source of legally available funds.

Section 3. Deposit into Escrow Fund. On _____, 2017 (the “Closing Date”), MUFG Union Bank, N.A. acting in its capacity as the Prior Trustee for the Prior Bonds, is hereby instructed to withdraw from accounts established under the Prior Indenture the following amounts: (i) \$_____ from the Reserve Account, (ii) \$_____ from the Interest Account, (iii) \$_____ from the Principal Account and (iv) \$_____ from the Debt Service Fund and transfer such amounts to the Escrow Bank for deposit into the Escrow Fund.

On the Closing Date, the Trustee shall be directed by the Successor Agency to transfer \$_____ of the proceeds of the Refunding Bonds to the Escrow Bank for deposit into the Escrow Fund.

The Escrow Bank shall acquire \$[_____] in Defeasance Securities in the form of open market Defeasance Securities set forth in Exhibit A attached hereto and by this reference incorporated herein (the “Escrowed Defeasance Securities”). The remainder in the

Escrow Fund (\$[____]) shall be held in cash uninvested (the “Cash”). The Cash shall be held by the Escrow Bank in the Escrow Fund therein solely for the uses and purposes set forth herein. The Escrowed Defeasance Securities shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein.

The Escrow Bank shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

Section 4. Instructions as to Application of Deposit. The Successor Agency hereby irrevocably directs and instructs the Escrow Bank to apply the interest on and maturing principal amount of the Escrowed Defeasance Obligations and cash to pay the Prior Bonds through October 1, 2020, and to redeem the outstanding Prior Bonds in full on October 1, 2020, at a redemption price of 100% of the principal amount thereof, all as more particularly set forth in Exhibit B attached hereto and hereby made a part hereof.

For such purpose of call and redemption prior to maturity of the Prior Bonds, the Successor Agency hereby instructs the Prior Trustee, and the Prior Trustee hereby agrees to cause to be given a notice of redemption of the Prior Bonds on or before September 1, 2020, such notice of redemption to be given substantially in the form set forth in Exhibit C attached hereto and hereby made a part hereof and timely for redemption of the Prior Bonds on October 1, 2020, in accordance with the applicable provisions of the Prior Indenture and to the Municipal Securities Rulemaking Board Electronic Municipal Market Access system.

Section 5. Application of Certain Terms of Prior Issuance Documents. Except as may be modified herein, all of the terms of the Prior Indenture relating to the redemption of the Prior Bonds are incorporated in this Agreement as if set forth in full herein. The provisions of the Prior Indenture relating to the limitations from liability and protections afforded the Prior Trustee and the resignation and removal of the Prior Trustee are also incorporated in this Escrow Agreement as if set forth in full herein and shall be the procedure to be followed with respect to any resignation or removal of the Escrow Bank hereunder.

Section 6. Compensation to Escrow Bank. The Successor Agency shall pay the Escrow Bank full compensation for its duties under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes.

Section 7. Liabilities and Obligations of Escrow Bank. The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Agreement unless the Successor Agency shall have deposited sufficient funds therefor with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the Successor Agency or its agents relating to any matter or action as Escrow Bank under this Agreement.

The Escrow Bank may consult with counsel of its own choice (which may be counsel to the Successor Agency) and the opinion of such counsel shall be full and complete

authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

The Escrow Bank shall not be responsible for any of the recitals or representations contained herein.

The Escrow Bank shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys deposited with it to pay the principal and interest on the Prior Bonds.

The Escrow Bank shall not be liable for any action or omission of the Successor Agency under this Agreement or the Prior Bonds.

Whenever in the administration of this Agreement the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be deemed to be conclusively proved and established by a certificate of an authorized representative of the Successor Agency, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be full warrant to the Escrow Bank for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

The Escrow Bank may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided, and shall be protected and indemnified, in action, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Bank which the Escrow Bank in good faith believes was signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

The Escrow Bank may at any time resign by giving written notice to the Successor Agency of such resignation. The Successor Agency shall promptly appoint a successor Escrow Bank by the resignation date. Resignation of the Escrow Bank will be effective upon acceptance of appointment by a successor Escrow Bank. If the Successor Agency does not appoint a successor, the Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor Escrow Bank, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Bank. After receiving a notice of resignation of an Escrow Bank, the Successor Agency may appoint a temporary Escrow Bank to replace the resigning Escrow Bank until the Successor Agency appoints a successor Escrow Bank. Any such temporary Escrow Bank so appointed by the Successor Agency shall immediately and without further act be superseded by the successor Escrow Bank so appointed.

The Successor Agency covenants to indemnify and hold harmless the Escrow Bank against any loss, liability or expense, including legal fees, incurred in connection with the performance of any of its duties hereunder, except the Escrow Bank shall not be indemnified against any loss, liability or expense resulting from its negligence or willful misconduct.

The Escrow Bank shall furnish the Successor Agency periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Bank or brokers selected by the Successor Agency. Upon the Successor Agency's election, such statements will be delivered via the Escrow Bank's online service and upon electing such service, paper statements will be provided only upon request. The Successor Agency waives the right to receive brokerage confirmations of security transactions effected by the Escrow Bank as they occur, to the extent permitted by law. The Successor Agency further understands that trade confirmations for securities transactions effected by the Escrow Bank will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

Section 8. Amendment. This Agreement may be amended by the parties hereto, but only if there shall have been filed with the Successor Agency and the Escrow Bank a written opinion of Bond Counsel stating that such amendment will not materially adversely affect the interests of the owners of the Prior Bonds.

Section 9. Merger or Consolidation. Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Escrow Bank and vested with all of the title to the trust estate and all of the trusts, powers, discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 10. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11. Headings. Any heading preceding the text of the several Sections hereof, any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

Section 12. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 13. Termination of Agreement. When the Escrow Agent shall have transferred, pursuant to Section 4 hereof, such moneys as are required to pay the Prior Bonds through October 1, 2020 and to redeem the outstanding Prior Bonds in full on October 1, 2020, the Escrow Agent, after payment of all fees and expenses of the Escrow Agent, shall, in accordance with Section 10.03 of the Prior Indenture, immediately transfer the moneys, if any, remaining in the Escrow Fund to the Successor Agency and this Escrow Agreement shall terminate.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Successor Agency and the Escrow Bank have each caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

SUCCESSOR AGENCY TO THE SAN MARCOS
REDEVELOPMENT AGENCY

By: _____
Authorized Officer

MUFG UNION BANK, N.A.,
as Escrow Bank, Trustee and Prior Trustee

By: _____
Authorized Officer

EXHIBIT A
DESCRIPTION OF THE ESCROWED DEFEASANCE SECURITIES

AS OF _____, 2017

EXHIBIT B
ESCROW FUND DISBURSEMENT REQUIREMENTS FOR THE PRIOR BONDS

Payment <u>Date</u>	<u>Maturing Principal</u>	<u>Principal Redeemed</u>	<u>Interest</u>	<u>Total</u>
4/1/2018			\$1,731,684.38	\$1,731,684.38
10/1/2018	\$2,125,000		1,731,684.38	3,856,684.38
4/1/2019			1,666,606.25	1,666,606.25
10/1/2019	2,255,000		1,666,606.25	3,921,606.25
4/1/2020			1,593,318.75	1,593,318.75
10/1/2020	2,405,000	\$36,980,000	1,593,318.75	40,978,318.75
Totals	\$6,785,000	\$36,980,000	\$9,983,218.76	\$53,748,218.76

**EXHIBIT C
NOTICE OF REDEMPTION**

TO THE OWNERS OF

**SAN MARCOS REDEVELOPMENT AGENCY
HOUSING SET-ASIDE TAX ALLOCATION BONDS, SERIES 2010 (TAXABLE)**

Date of Notice:

Date of Issuance: **January 24, 2011**

Date of Redemption: **October 1, 2020**

NOTICE IS HEREBY GIVEN that pursuant to Section 2.02 of the Trust Indenture, dated as of December 1, 2010, by and between MUFG Union Bank, N.A., formerly known as Union Bank, N.A., as trustee (the “Trustee”), and the San Marcos Redevelopment Agency (the “Agency”), the outstanding principal amount of the above-captioned bonds (the “Bonds”) will be redeemed on October 1, 2020 (the “Redemption Date”) at the referenced price noted below, together with accrued interest to the Redemption Date. The record date is September 15, 2020.

The maturity dates, CUSIP numbers, principal of and interest rate on the Bonds are listed below:

<u>Maturity (October 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Redemption Price</u>	<u>CUSIP®*</u>
2021	\$2,565,000	7.000	100%	798754DK0
2026	16,105,000	8.000	100%	798754DL8
2030	18,310,000	8.500	100%	798754DM6

On the Redemption Date there shall become due and payable on each Bond called for redemption, the Redemption Price stated above (representing the principal thereof) and interest accrued to the Redemption Date, and from and after such date, interest thereon shall cease to accrue and be payable.

The Bonds must be surrendered at the principal corporate office of MUFG Union Bank, N.A., as Trustee, at the following address by U.S. Mail, Certified Mail, Registered Mail, Overnight Express or Delivery in Person:

MUFG Union Bank
Attn: Corporate Trust
445 S. Figueroa Street, Suite 401
Los Angeles, California 90071
Attn: Bond Redemption

To avoid a 28% back-up withholding tax required by Federal law, holders of Bonds must submit with their Bonds a completed IRS Form W-9.

* *The CUSIP number has been assigned by CUSIP Global Services and is included solely for the convenience of the holders of Bonds. The Agency and the Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in this notice or as printed on the Bonds.*

Dated:

MUFG UNION BANK, N.A., as Trustee

\$ _____
**SUCCESSOR AGENCY TO THE
SAN MARCOS REDEVELOPMENT AGENCY**
Taxable Tax Allocation Refunding Bonds, Series 2017

BOND PURCHASE AGREEMENT

_____, 2017

Successor Agency to the San Marcos Redevelopment Agency
One Civic Center Drive, 2nd Fl.
San Marcos, CA 92069

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) offers to enter into this Bond Purchase Agreement (the “**Bond Purchase Agreement**”) with the Successor Agency to the San Marcos Redevelopment Agency (the “**Successor Agency**”), which will be binding upon the Successor Agency and the Underwriter upon the acceptance hereof by the Successor Agency. This offer is made subject to its acceptance by the Successor Agency by execution of this Bond Purchase Agreement and its delivery to the Underwriter on or before 5:00 P.M., California time, on the date hereof.

The Successor Agency acknowledges and agrees that: (i) the purchase and sale of the Bonds (as hereinafter defined) pursuant to this Bond Purchase Agreement is an arm’s-length commercial transaction between the Successor Agency and the Underwriter; (ii) in connection therewith 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 a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)), and the Underwriter is not acting as a financial advisor or fiduciary to the Successor Agency and has not assumed an advisory or fiduciary responsibility in favor of the Successor Agency with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the Successor Agency on other matters); (iii) the only obligations the Underwriter has to the Successor Agency with respect to the transaction contemplated hereby expressly are set forth in this Bond Purchase Agreement; (iv) the Successor Agency has consulted its own legal, financial and/or municipal and other advisors, as applicable, to the extent it has deemed appropriate; (v) the Underwriter has financial interests that may differ from and be adverse to those of the Successor Agency; and (vi) the Underwriter has provided the Successor Agency with certain disclosures required under the rules of the Municipal Securities Rulemaking Board (the “**MSRB**”).

The Successor Agency hereby acknowledges receipt from the Underwriter of disclosures required by the MSRB Rule G-17, relating to the Underwriter’s role in the transaction, the Underwriter’s compensation, conflict disclosures, if any, and complex municipal securities financing, if any.

Terms not otherwise defined herein shall have the same meanings as set forth in the Indenture, described below.

1. *Purchase and Sale; Use of Proceeds.* Upon the terms and conditions and in reliance upon the representations, warranties and covenants herein, the Successor Agency hereby agrees to sell to the Underwriter and the Underwriter hereby agrees to purchase from the Successor Agency for offering to the public, all (but not less than all) of the \$_____ Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017 (the “**Bonds**”), at the purchase price of \$_____ (the “**Purchase Price**”) (being the principal amount of the Bonds of \$_____, less an Underwriter’s discount of \$_____, and [plus/less] an original issue [premium/discount] of \$_____).

[As an accommodation to the Successor Agency, the Underwriter will pay, from the Purchase Price of the Bonds, the sum of \$_____ to _____ (the “**Reserve Insurer**”) as the premium for its Reserve Policy issued for the Bonds (the “**Reserve Policy**”).]

[The amount of \$_____ (which is the Purchase Price net of the amounts set forth in the preceding paragraph regarding the premium on the Reserve Policy) will be delivered to MUFG Union Bank, N.A., as trustee (the “**Trustee**”), on behalf of the Successor Agency.]

The Purchase Price is to be paid on the Closing Date (as defined in Section 6 below). The Bonds shall be dated the Closing Date, and shall bear interest at the rates, shall mature on the dates and in the principal amounts and shall be subject to redemption, all as set forth in the attached Exhibit A.

The Bonds are being issued for the purpose of providing funds to the Successor Agency to redeem its San Marcos Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2010 (Taxable) (the “**Former Agency Bonds**”) pursuant to a Trust Indenture, by and between the Former Agency, as defined below, and the Trustee (formerly known as Union Bank of California, N.A.), dated as of December 1, 2010 (the “**Former Indenture**”) issued by the former San Marcos Redevelopment Agency (the “**Former Agency**”), payable from low and moderate tax increment revenue generated in the Former Agency’s San Marcos Redevelopment Project Area No. 1, San Marcos Redevelopment Project Area No. 2, and San Marcos Redevelopment Project Area No. 3 (collectively, the “**Project Areas**”).

The Bonds are also being issued to pay the Premium for the Reserve Policy for the Bonds and pay the costs of issuing the Bonds.

The Bonds are special, limited obligations of the Successor Agency, payable from, and secured by a lien on Pledged Tax Revenues, as such term is defined in that certain Indenture of Trust, dated as of July 1, 2015, as supplemented and amended by a First Supplemental Indenture of Trust, dated as of _____ 1, 2017 (together, as amended and supplemented, the “**Indenture**”), by and between the Successor Agency and the Trustee.

The redemption described above will be accomplished pursuant to an escrow deposit and trust agreement (the “**Escrow Agreement**”) by and between the Successor Agency and MUFG Union Bank, N.A., acting as escrow bank (the “**Escrow Bank**”).

Issuance of the Bonds was authorized by a resolution of the Successor Agency, adopted on September 12, 2017 (the “**Successor Agency Resolution**”), and a resolution of the Oversight Board of the Successor Agency to the San Marcos Redevelopment Agency, adopted on September 14, 2017 (the “**Oversight Board Resolution**”).

2. *Bona Fide Public Offering.* The Underwriter agrees to make a bona fide public offering of all of the Bonds, at prices not in excess of the initial public offering yields or prices set forth on the cover page of the Official Statement.

3. *Official Statement.* The Successor Agency shall deliver or cause to be delivered to the Underwriter promptly after acceptance of this Bond Purchase Agreement copies of the Official Statement relating to the Bonds, dated the date hereof (which, together with all exhibits and appendices included therein or attached thereto and with such amendments or supplements thereto which shall be approved by the Underwriter, the “**Official Statement**”). The Successor Agency authorizes the Official Statement, including the cover page and Appendices thereto and the information contained therein, to be used in connection with the sale of the Bonds and ratifies, confirms and approves the use and distribution by the Underwriter for such purpose, prior to the date hereof, of the Preliminary Official Statement dated _____, 2017 (the “**Preliminary Official Statement**”). The Successor Agency deems such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“**Rule 15c2-12**”), except for information allowed to be omitted by Rule 15c2-12. The Successor Agency also agrees to deliver to the Underwriter, at the Successor Agency’s sole cost and at such address as the Underwriter shall specify, as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 with Rule G-32 and all other applicable rules of the MSRB. The Successor Agency agrees to deliver such copies of the Official Statement within seven (7) business days after the date hereof. Such Official Statement shall contain all information previously permitted to be omitted by Rule 15c2-12. The Underwriter agrees to give written notice to the Successor Agency of the date after which the Underwriter shall no longer be obligated to deliver Official Statements pursuant to paragraph (b)(4) of Rule 15c2-12 which shall be no later than 25 days after the end of the Underwriting Period (as such term is defined in 4(q) below).

The Underwriter agrees to promptly file a copy of the final Official Statement, including any supplements prepared by the Successor Agency, in compliance with MSRB Rule G-32, and to take any and all other actions necessary to comply with applicable Securities and Exchange Commission (the “**SEC**”) rules and MSRB rules governing the offering, sale and delivery of the Bonds to the ultimate purchasers thereof.

4. *Representations, Warranties and Agreements of the Successor Agency.* The Successor Agency represents and warrants to the Underwriter that, as of the Closing Date:

(a) The Successor Agency is a public entity existing under the laws of the State of California (the “**State**”), and is authorized, among other things, (i) to issue the Bonds, and (ii) to secure the Bonds in the manner contemplated by the Indenture.

(b) The Successor Agency has the full right, power and authority (i) to enter into the Indenture, the Escrow Agreement and this Bond Purchase 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, and the Successor Agency has complied with all provisions of applicable law in all matters relating to such transactions.

(c) The Successor Agency has duly authorized (i) the execution and delivery of the Bonds and the execution, delivery and due performance by the Successor Agency of the Escrow Agreement, this Bond Purchase Agreement and the Indenture, (ii) the distribution and use of the “deemed final” Preliminary Official Statement and the

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 Successor Agency to carry out, give effect to and consummate the transactions on its part contemplated by such instruments. All consents or approvals necessary to be obtained by the Successor Agency in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) The information contained in the Preliminary Official Statement (excluding therefrom for any information relating to [the Reserve Insurer, the Reserve Policy], DTC and its book-entry system included therein and the information therein under the caption "UNDERWRITING") is true and correct in all material respects, and the Preliminary Official Statement did not on the date thereof contain any untrue or misleading statement of a material fact relating to the Successor Agency or the City of San Marcos (the "City") 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.

(e) The information contained in the Official Statement (excluding therefrom for any information relating to [the Reserve Insurer, the Reserve Policy], DTC and its book-entry system included therein and the information therein under the caption "UNDERWRITING") is true and correct in all material respects, and the Official Statement does not contain any untrue or misleading statement of a material fact relating to the Successor Agency or the City 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.

(f) Neither the execution and delivery by the Successor Agency of the Indenture, the Escrow Agreement, this Bond Purchase Agreement and of the Bonds nor the consummation of the transactions on the part of the Successor Agency contemplated herein or therein or the compliance with the provisions hereof or thereof will conflict with, or constitute on the part of the Successor Agency a violation of, or a breach of or default under, (i) any statute, indenture, mortgage, note or other agreement or instrument to which the Successor Agency 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 Successor Agency (or the members of the Successor Agency or any of its officers in their respective capacities as such) is subject.

(g) The Successor Agency has never been in default at any time, as to principal of or interest on any obligation which it has issued except as otherwise specifically disclosed in the Official Statement; and the Successor Agency has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the Pledged Tax Revenues (as defined in the Indenture) pledged to the payment of the Bonds except as is specifically disclosed in the Official Statement.

(h) Except as will be specifically disclosed in the 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, which has been served on the Successor Agency or, to the best knowledge of the Successor Agency, threatened, which in any way questions the powers of the Successor Agency referred to in paragraph (b) above, or the validity of any proceeding taken by the Successor Agency in connection with the issuance of the Bonds, or wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the Escrow Agreement, this Bond Purchase Agreement or the Indenture, or which, in any way, could adversely affect the validity or enforceability of the Indenture, the Bonds, the Escrow Agreement or this Bond Purchase

Agreement or, to the knowledge of the Successor Agency, which in any way questions the status of the Bonds under state tax laws or regulations or which in any way could materially adversely affect the availability of Pledged Tax Revenues.

(i) Any certificate signed by any official of the Successor Agency and delivered to the Underwriter in connection with the offer or sale of the Bonds shall be deemed a representation and warranty by the Successor Agency to the Underwriter as to the truth of the statements therein contained.

(j) The Successor Agency will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter and at the expense of the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds, provided; however, that the Successor Agency will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

(k) All authorizations, approvals, licenses, permits, consents, elections, and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required by the Closing Date for the due authorization of, which would constitute a condition precedent to or the absence of which would adversely affect the due performance by the Successor Agency of, its obligations in connection with the Indenture have been duly obtained or made and are in full force and effect.

(l) Between the date of this Bond Purchase Agreement and the Closing Date, the Successor Agency will not offer or issue any bonds, notes or other obligations for borrowed money not previously disclosed to the Underwriter.

(m) The Successor Agency will apply the proceeds of the Bonds in accordance with the Indenture.

(n) Except as otherwise described in the Official Statement, as of the Closing Date, the Successor Agency will not have outstanding any indebtedness which indebtedness is secured by a lien on the Pledged Tax Revenues of the Successor Agency on a parity with or senior to the lien provided for in the Indenture on the Pledged Tax Revenues.

(o) Except as described in the Official Statement, neither the Former Agency nor the Successor Agency has failed, within the last five years, to comply in all material respects with any undertaking of the Successor Agency pursuant to Rule 15c2-12.

(p) If between the date hereof and the date which is 25 days after the End of the Underwriting Period, as defined herein, for the Bonds, an event occurs which would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information herein, in the light of the circumstances under which it was presented, not misleading, the Successor Agency will notify the Underwriter, and, if in the opinion of the Underwriter or the

Successor Agency, or respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Successor Agency will cooperate in the preparation of an amendment or supplement to the Official Statement in a form and manner approved by the Underwriter, and shall pay all expenses thereby incurred. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the Successor Agency will furnish such information with respect to itself as the Underwriter may from time to time reasonably request. As used herein, the term “**End of the Underwriting Period**” means the later of such time as: (i) the Successor Agency delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Notwithstanding the foregoing, unless the Underwriter gives notice to the contrary, the “End of the Underwriting Period” shall be the Closing Date.

(q) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (q) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact required to be stated therein or necessary to make such information therein in the light of the circumstances under which it was presented, not misleading.

(r) The Oversight Board has duly adopted the Oversight Board Resolution approving the issuance of the Bonds and no further Oversight Board approval or consent is required for the issuing of the Bonds or the consummation of the transactions described in the Preliminary Official Statement.

(s) The Department of Finance of the State (the “**Department of Finance**”) has issued a letter, dated _____, 2017, approving the issuance of the Bonds. No further Department of Finance approval or consent is required for the issuance of the Bonds or the consummation of the transactions described in the Preliminary Official Statement. The Successor Agency has received its Finding of Completion from the Department of Finance. Except as disclosed in the Official Statement, the Successor Agency is not aware of the Department of Finance directing or having any basis to direct the County Auditor-Controller to deduct unpaid unencumbered funds from future allocations of property tax to the Successor Agency pursuant to Section 34183 of the Dissolution Act.

(t) As of the time of acceptance hereof and as of the date of the Closing, the Successor Agency has complied with the filing requirements of the Dissolution Act, including, without limitation, the filing of all Recognized Obligation Payment Schedules, as required by the Dissolution Act.

5. *Covenants of the Successor Agency.* The Successor Agency covenants with the Underwriter as of the Closing Date as follows:

(a) The Successor Agency covenants and agrees that it will execute a continuing disclosure certificate, constituting an undertaking to provide ongoing disclosure about the Successor Agency, for the benefit of the owners of the Bonds as required by Section (b)(5)(i) of Rule 15c2-12, substantially in the form attached to the Preliminary Official Statement (the “**Disclosure Certificate**”).

(b) Any information supplied by the Successor Agency for inclusion in any amendments or supplements to the Official Statement will not contain any untrue or misleading statement of a material fact relating to the Successor Agency or omit to state any such fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

6. *Closing.* On _____, 2017, or at such other date and times as shall have been mutually agreed upon by the Successor Agency and the Underwriter (the “**Closing Date**”), the Successor Agency will deliver or cause to be delivered the Bonds to the Underwriter, and the Successor Agency shall deliver or cause to be delivered to the Underwriter the certificates, opinions and documents hereinafter mentioned, each of which shall be dated as of the Closing Date. The activities relating to the execution and delivery of the Bonds, opinions and other instruments as described in Section 7 of this Bond Purchase Agreement shall occur on the Closing Date. The delivery of the certificates, opinions and documents as described herein shall be made at the offices Best Best & Krieger LLP, in San Diego, California (“**Bond Counsel**”), or at such other place as shall have been mutually agreed upon by the Successor Agency and the Underwriter. Such delivery is herein called the “**Closing**.”

The Bonds will be prepared and physically delivered to the Trustee on the Closing Date in the form of a separate single fully registered bond for each of the maturities of the Bonds. The Bonds shall be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“**DTC**”), New York, New York. The Bonds will be authenticated by the Trustee in accordance with the terms and provisions of the Indenture and shall be delivered to DTC prior to the Closing Date as required by DTC to assure delivery of the Bonds on the Closing Date. It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of this Bond Purchase Agreement.

At or before 8:00 a.m., California time, on the Closing Date, the Successor Agency will deliver, or cause to be delivered, the Bonds to DTC, in definitive form duly executed and authenticated by the Trustee, and the Underwriter will pay the [Purchase Price] of the Bonds by delivering to the Trustee, for the account of the Successor Agency a wire transfer in federal funds of the Purchase Price payable to the order of the Trustee.

7. *Closing Conditions.* The obligations of the Underwriter hereunder shall be subject to the performance by the Successor Agency of its obligations hereunder at or prior to the Closing Date and are also subject to the following conditions:

(a) the representations, warranties and covenants of the Successor Agency contained herein shall be true and correct in all material respects as of the Closing Date;

(b) as of the Closing Date, there shall have been no material adverse change in the financial condition of the Successor Agency that is not disclosed in the Preliminary Official Statement or the Official Statement;

(c) as of the Closing Date, all official action of the Successor Agency relating to this Bond Purchase Agreement, the Disclosure Certificate, the Escrow Agreement and the Indenture shall be in full force and effect;

(d) as of the Closing Date, the Underwriter shall receive the following certificates, opinions and documents, in each case satisfactory in form and substance to the Underwriter:

(i) a copy of the Indenture, as duly executed and delivered by the Successor Agency and the Trustee;

(ii) a copy of the Disclosure Certificate, as duly executed and delivered by the Successor Agency;

(iii) a copy of the Escrow Agreement, duly executed and delivered by the Successor Agency and the Escrow Bank;

(iv) an opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, in the form attached as Appendix D to the Official Statement;

(v) a certificate, dated the Closing Date, of the Successor Agency executed by the Executive Director (or other duly appointed officer of the Successor Agency authorized by the Successor Agency by resolution of the Successor Agency) to the effect that (A) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body which has been served on the Successor Agency or, to the knowledge of the Successor Agency, threatened against or affecting the Successor Agency to restrain or enjoin the Successor Agency's participation in, or in any way contesting the existence of the Successor Agency or the powers of the Successor Agency with respect to, the transactions contemplated by the Escrow Agreement, this Bond Purchase Agreement or the Indenture, and consummation of such transactions; (B) the representations and warranties of the Successor Agency contained in this Bond Purchase Agreement are true and correct in all material respects, and the Successor Agency has complied with all agreements and covenants and satisfied all conditions to be satisfied at or prior to the Closing Date as contemplated by the Indenture and this Bond Purchase Agreement; (C) no event affecting the Successor Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (D) no further consent is required to be obtained for the inclusion of the financial statement with respect to the Successor Agency Trust for Assets of Former Redevelopment Agency for the Fiscal Year Ending June 30, 2016, which is excerpted from the audited City of San Marcos, California, Year End June 30, 2016 Comprehensive Annual Financial Report, as Exhibit C to the Official Statement;

(vi) an opinion of the City Attorney, as counsel to the Successor Agency, dated the Closing Date and addressed to the Successor Agency and the Underwriter to the effect that:

(A) the Successor Agency is a public body, organized and existing under the laws of the State;

(B) the Successor Agency has full legal power and lawful authority to enter into the Indenture, the Escrow Agreement and this Bond Purchase Agreement, and to execute and deliver the Disclosure Certificate;

(C) the Successor Agency Resolution approving and authorizing the execution and delivery of the Bonds, the Indenture, the Escrow Agreement, the Disclosure Certificate, this Bond Purchase Agreement and the Official Statement has been duly adopted at a meeting of the governing body of the Successor Agency, which was called and held pursuant to the law and with all public notice required by law and at which a quorum was present and acting throughout and the Successor Agency Resolution is in full force and effect and has not been modified, amended or rescinded;

(D) the Indenture, the Escrow Agreement, the Disclosure Certificate, and this Bond Purchase Agreement have been duly authorized, executed and delivered by the Successor Agency and, assuming due authorization, execution and delivery by the other parties thereof, constitute the valid, legal and binding agreements of the Successor Agency enforceable in accordance with their terms;

(E) The information in the Official Statement under the captions "SECURITY FOR THE 2017 BONDS," "THE AGENCY," "PROJECT AREA NO. 1," "PROJECT AREA NO. 2," and "PROJECT AREA NO. 3," insofar as such statements purport to summarize information with respect to the Successor Agency and its tax sharing obligations, fairly and accurately summarizes the information presented therein; and

(F) Except as otherwise disclosed in the Official Statement, there is no litigation, action, suit, proceeding or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending by way of a summons served against the Successor Agency or, to our knowledge, threatened against the Successor Agency, challenging the creation, organization or existence of the Successor Agency, or the validity of the Indenture, the Escrow Agreement or this Bond Purchase Agreement or seeking to restrain or enjoin any of the transactions referred to therein or contemplated thereby or contesting the authority of the Successor Agency to enter into or perform its obligations under the Indenture, the Escrow Agreement or this Bond Purchase Agreement, or under which a determination adverse to the Successor Agency would have a material adverse effect upon the availability of Pledged Tax Revenues, or which, in any manner, questions the right of the Successor Agency to enter into, and perform under, the Indenture, the Escrow Agreement or this Bond Purchase Agreement;

(vii) an opinion of counsel to the Trustee, dated the Closing Date and addressed to the Successor Agency and the Underwriter, to the effect that:

(A) The Trustee is a national banking association organized and existing under the laws of the United States of America, having full power to enter into, accept and administer the trust created under the Indenture;

(B) The Indenture has been duly authorized, executed and delivered by the Trustee and the Indenture constitutes a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and

by the application of equitable principles, if equitable remedies are sought; and

(C) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Indenture or the consummation of the transactions contemplated by the Indenture;

(viii) an opinion of counsel to the Escrow Bank, dated the Closing Date and addressed to the Successor Agency and the Underwriter, to the effect that:

(A) The Escrow Bank is a national banking association organized and existing under the laws of the United States of America, having full power to enter into, accept and administer the trusts created under the Escrow Agreement;

(B) The Escrow Agreement has been duly authorized, executed and delivered by the Escrow Bank and the Escrow Agreement constitutes a legal, valid and binding obligation of the Escrow Bank enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought; and

(C) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Escrow Bank that has not been obtained is or will be required for the execution and delivery of the Escrow Agreement or the consummation of the transactions on the part of the Escrow Bank with respect to the Escrow Agreement contemplated by the Escrow Agreement;

(ix) a certificate, dated the Closing Date, of the Trustee, signed by a duly authorized officer of the Trustee, to the effect that (A) the Trustee is duly organized and validly existing as a national banking association, with full corporate power to undertake the trust of the Indenture; (B) the Trustee has duly authorized, executed and delivered the Indenture and by all proper corporate action has authorized the acceptance of the trust of the Indenture; and (C) to the best of such officer's knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body which has been served on the Trustee (either in state or federal courts), or to the knowledge of the Trustee which would restrain or enjoin the execution or delivery of the Indenture, or which would affect the validity or enforceability of the Indenture, or the Trustee's participation in, or in any way contesting the powers or the authority of the Trustee with respect to, the transactions contemplated by the Indenture, or any other agreement, document or certificate related to such transactions;

(x) a certificate or certificates, dated the Closing Date, of the Escrow Bank, signed by a duly authorized officer of the Escrow Bank, to the effect that (A) the Escrow Bank is duly organized and validly existing as a national banking association, with full corporate power to undertake the trust of the Escrow Agreement; (B) the Escrow Bank has duly authorized, executed and delivered

the Escrow Agreement and by all proper corporate action has authorized the acceptance of the trusts of the Escrow Agreement; and (C) to the best of such officer's knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body which has been served on the Escrow Bank (either in state or federal courts), or to the knowledge of the Escrow Bank which would restrain or enjoin the execution or delivery of the Escrow Agreement, or which would affect the validity or enforceability of the Escrow Agreement or the Escrow Bank's participation in, or in any way contesting the powers or the authority of the Escrow Bank with respect to, the transactions contemplated by the Escrow Agreement, or any other agreement, document or certificate related to such transactions;

(xi) a supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Successor Agency and the Underwriter, to the effect that:

(A) this Bond Purchase Agreement and the Escrow Agreement have been duly authorized, executed and delivered by the Successor Agency, and assuming the valid execution and delivery by the other parties thereto, are valid and binding upon the Successor Agency, subject to the laws relating to bankruptcy, insolvency, reorganization of creditors' rights generally and to the application of equitable principles;

(B) the Bonds are exempt from registration pursuant to Section 3(a)(2) of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(C) the statements contained in the Official Statement under the captions "THE 2017 BONDS," "SECURITY FOR THE 2017 BONDS," "TAX MATTERS" and "APPENDIX A—SUMMARY OF THE INDENTURE" thereto are accurate insofar as such statements purport to expressly summarize certain provisions of the Bonds, the Indenture and Bond Counsel's opinion concerning federal tax matters relating to the Bonds;

(xii) an opinion of Stradling Yocca Carlson & Rauth, Newport Beach, California, as disclosure counsel to the Successor Agency, dated the Closing Date and addressed to the Successor Agency and the Underwriter stating that based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the date of the Closing, the Official Statement (excluding therefrom any information relating to DTC and its book-entry system included therein, and the reports, financial and statistical data and forecasts therein, the information included in the Appendices thereto, as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) the opinion of Underwriter's counsel satisfactory to the Underwriter;

(xiv) the final Official Statement executed by an authorized officer of the Successor Agency;

(xv) certified copies of the Successor Agency Resolution and the Oversight Board Resolution;

(xvi) specimen Bonds;

(xvii) a verification report of Grant Thornton LLP (the “**Verification Agent**”) as to the sufficiency of the moneys and the investment earnings and maturing escrow securities, if any, in the Escrow Agreement;

(xviii) [a copy of the Reserve Policy];

(xix) [an opinion of counsel to the Reserve Insurer, addressed to the Successor Agency and the Underwriter to the effect that:

(A) the descriptions of the Reserve Insurer and the Reserve Fund Reserve Policy included in the Official Statement are accurate;

(B) the Reserve Policy constitutes a legal, valid and binding obligation of the Reserve Insurer, enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditor’s rights generally and by the application of equitable principles if equitable remedies are sought, and

(C) as to such other matters as the Successor Agency or the Underwriter may reasonably request;]

(xx) [a certificate of the Reserve Insurer, signed by an authorized officer of the Reserve Insurer, to the effect that:

(A) the information contained in the Official Statement relating to the Reserve Insurer and the Reserve Policy is true and accurate; and

(B) as to such other matters as the Successor Agency or the Underwriter may reasonably request;

(xxi) satisfactory evidence that the Bonds have been assigned the ratings disclosed in the Official Statement;

(xxii) a certificate of an officer of RSG, Inc., dated the date of the Closing, addressed to the Successor Agency and the Underwriter, to the effect that, to the best of its knowledge, the assessed valuations and other fiscal information contained in the Official Statement, including such firm’s Fiscal Consultant’s Report attached thereto as Appendix B, are presented fairly and accurately, and consenting to the use of its report as Appendix B to the Preliminary Official Statement and the Official Statement;

(xxiii) evidence of required filings with the California Debt and Investment Advisory Commission;

(xxiv) a defeasance opinion of Bond Counsel with respect to the Former Agency Bonds, dated the Closing Date and addressed to the Successor Agency,

the Trustee, the Escrow Bank and the Underwriter, in form and substance satisfactory to the Underwriter;

(xxv) a copy of the Letter of the Department of Finance, dated _____, 2017, approving the issuance of the Bonds and a copy of the Finding of Completion from the Department of Finance;

(xxvi) A certificate, dated the Closing Date, signed by a duly authorized official of Fieldman, Rolapp & Associates, Inc., the Agency's Municipal Advisor (the "**Municipal Advisor**") addressed to the Underwriter and the Successor Agency to the effect, that, in connection with its participation in the preparation of the Official Statement and without undertaking any independent investigation and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, nothing has come to the attention of the Municipal Advisor that would lead it to believe that the statements and information contained in the Official Statement as of the date thereof and the Closing Date contains an 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 in which they were made, not misleading;

(xxvii) a certificate, dated the Closing Date, of the Successor Agency, the City of San Marcos, and other related entities, as to compliance with their continuing disclosure undertakings in the preceding five years; and

(xxviii) such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing Date of the representations and warranties of the Successor Agency contained in this Bond Purchase Agreement and the due performance or satisfaction by the Successor Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Successor Agency pursuant to this Bond Purchase Agreement.

8. *Termination.* The Underwriter shall have the right to cancel its obligations to purchase the Bonds if between the date hereof and the Closing Date:

(a) a decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation shall be favorably reported by such a committee or be introduced, by amendment or otherwise, in or be passed by the House of Representatives or the Senate, or recommended to the Congress of the United States for passage by the President of the United States, or be enacted or a decision by a federal court of the United States or the United States Tax Court shall have been rendered, or a ruling, release, order, regulation or offering circular by or on behalf of the United States Treasury Department, the Internal Revenue Service or other governmental agency shall have been made or proposed to be made, or an executive order of the President of the United States of America has been issued, having the purpose or effect, or any other action or event shall have occurred which has the purpose or effect, directly or indirectly, of adversely affecting the market price of or market for the Bonds; or

(b) legislation shall have been enacted, or considered for enactment with an effective date prior to the Closing Date, or a decision by a court of the United States shall have been rendered, the effect of which is that of the Bonds, including any

underlying obligations, or the Indenture, 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

(c) a stop order, ruling, regulation or offering circular by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, including any underlying obligations, or the execution of the Indenture, as contemplated hereby or by the Official Statement, is or would be in violation of any provisions 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

(d) any event shall have occurred or any information shall have become known to the Underwriter which causes the Underwriter to reasonably believe that the Official Statement as then amended or supplemented 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

(e) there shall have occurred 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

(f) there shall be 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

(g) a general banking moratorium shall have been declared by federal, New York or California authorities; or

(h) any proceeding shall be pending or threatened by the SEC against the Successor Agency; or

(i) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; or

(j) the New York Stock Exchange or other national securities exchange, or any governmental or regulatory authority, shall impose, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase 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

(k) any rating of the Bonds shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(l) any change, which in the reasonable opinion of the Underwriter, materially adversely affects the marketability of the Bonds or, the financial condition of the Successor Agency.

9. *Contingency of Obligations.* The obligations of the Successor Agency hereunder are subject to the performance by the Underwriter of their obligations hereunder.

10. *Duration of Representations, Warranties, Agreements and Covenants.* All representations, warranties, agreements and covenants of the Successor Agency shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter or the Successor Agency and shall survive the Closing Date.

11. *Expenses.* The Successor Agency will pay or cause to be paid all reasonable expenses incident to the performance of its obligations under this Bond Purchase Agreement, including, but not limited to, mailing or delivery of the Bonds, costs of printing the Bonds, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto, the fees and disbursements of Bond Counsel, Disclosure Counsel, and counsel to the Successor Agency, the fees and expenses of the Successor Agency's accountants and fiscal consultants, fees of the Municipal Advisor, any fees charged by investment rating agencies for the rating of the Bonds and fees of the Trustee, and fees and expenses related to the Successor Agency's staff time. In the event this Bond Purchase Agreement shall terminate because of the default of the Underwriter, the Successor Agency will, nevertheless, pay, or cause to be paid, all of the expenses specified above.

The Successor Agency shall reimburse the Underwriter, from proceeds of the Bonds, for any meals or travel expenses of the Successor Agency paid for by the Underwriter, exclusive of entertainment expenses.

The Underwriter shall pay the fees and expenses of any counsel retained by it, all advertising expenses incurred in connection with the public offering of the Bonds, CDIAAC fees, CUSIP fees and all other expenses incurred by it in connection with the public offering and distribution of the Bonds (including out-of-pocket expenses and related regulatory expenses).

12. *Notices.* Any notice or other communication to be given to the Successor Agency under this Bond Purchase Agreement may be given by delivering the same in writing to the Executive Director, Successor Agency to the San Marcos Redevelopment Agency, One Civic Center Drive, 2nd Floor, San Marcos, CA 92069, and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104 Attention: Sara Brown.

13. *Parties in Interest.* This Bond Purchase Agreement is made solely for the benefit of the Successor Agency 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 Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in California.

15. *Headings.* The headings of the paragraphs of this Bond Purchase Agreement are inserted for convenience of reference only and shall not be deemed to be a part hereof.

16. *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.

17. *Effectiveness.* This Bond Purchase Agreement shall become effective upon acceptance hereof by the Successor Agency.

18. *Counterparts.* This Bond Purchase Agreement may be executed in several counterparts which together shall constitute one and the same instrument.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Authorized Officer

Accepted and agreed to as of
the date first above written, and the time
identified below:

SUCCESSOR AGENCY TO THE SAN
MARCOS REDEVELOPMENT AGENCY

By _____
Name _____
Title _____

Time of Execution: _____

EXHIBIT A

\$ _____
**SUCCESSOR AGENCY TO THE
SAN MARCOS REDEVELOPMENT AGENCY**
Taxable Tax Allocation Refunding Bonds, Series 2017

MATURITY SCHEDULE

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Reoffering</u> <u>Price</u>
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REDEMPTION PROVISIONS

Optional Redemption. The Bonds maturing on or before October 1, 20__, are not subject to optional redemption prior to maturity. The Bonds maturing on or after October 1, 20__, are subject to redemption, at the option of the Successor Agency on any date on or after October 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Sinking Fund Redemption. The Bonds maturing on October 1, 20__ and October 1, 20__ are also subject to mandatory sinking fund redemption in part by lot at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following tables.

\$ _____ Term Bonds Maturing October 1, 20__

<u>Sinking Account</u> <u>Redemption Date</u> <u>(October 1)</u>	<u>Mandatory Sinking</u> <u>Account Payments</u>
<u>†Maturity</u>	

\$ _____ Term Bonds Maturing October 1, 20__

<u>Sinking Account</u> <u>Redemption Date</u> <u>(October 1)</u>	<u>Mandatory Sinking</u> <u>Account Payments</u>
<u>†Maturity</u>	

