

**COMMUNITY FACILITIES DISTRICT NO. 1
(MIRAMAR RANCH NORTH)
CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of June 1, 1998 by and between City of San Diego Community Facilities District No. 1 (Miramar Ranch North) (the "District"), and U.S. Bank Trust National Association, in its capacities as Trustee and Dissemination Agent (the "Trustee") in connection with the issuance and sale by the District of \$59,465,000 aggregate principal amount of its bonds, designated City of San Diego Community Facilities District No. 1 (Miramar Ranch North) Special Tax Refunding Bonds, Series 1998 (the "Bonds"). The Bonds are being issued pursuant to an Indenture dated as of June 1, 1998 (the "Indenture") between City of San Diego Community Facilities District No. 1 (Miramar Ranch North) (the "District") and the Trustee. The District and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District, the Dissemination Agent and the Trustee for the benefit of the holders of the Bonds and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below).

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

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

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean U.S. Trust Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the Trustee a written acceptance of such designation.

"District" shall mean City of San Diego Community Facilities District No. 1 (Miramar Ranch North).

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Official Statement" shall mean the Official Statement of the District, dated July 24, 1998, relating to the Bonds.

"Participating Underwriter" shall mean PaineWebber Incorporated and E.J. De La Rosa & Co., Inc. who are the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent by written direction thereto, not later than April 1st following the end of the District's fiscal year, commencing with the fiscal year ending June 30, 1998, to provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the District shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and the Trustee may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the District and the Dissemination Agent to determine if the District is in compliance with subsection (a).

(d) If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository and the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(e) The Dissemination Agent shall:

- (1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and
- (2) to the extent that it has received confirmation of filing, file a report with the District and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following (expressed as of September 30 of the then current fiscal year, unless otherwise specified):

- (a) The principal amount of the Bonds outstanding.
- (b) The balances of all funds and accounts established by the Indenture as of the end of the preceding fiscal year.
- (c) The status of the construction of the public improvements financed from the proceeds of the Bonds. This status shall include a statement as to the estimated sufficiency of the funds on deposit in the Improvement Fund to complete acquisition or construction of the Bond financed improvements. This status need not be reported in any Annual Report following the Annual Report in which the District reports that such improvements have been substantially acquired or completed.
- (d) A table showing (i) the assessed values of each of the properties within the District for which the special tax obligation remains unpaid based upon the most current available information from the Assessor's Office of the County of San Diego, (ii) whether each such property is "Developed Property" or "Undeveloped Property" as such terms are defined in the rate and method of apportionment of the special tax contained in Appendix A to the Official Statement and (iii) the amount of the special taxes levied on each such property for the fiscal year to which the assessed value is applicable.
- (e) The status of the payment of special taxes for the properties within the District which were due and payable during the preceding fiscal year, including as to delinquent parcels:
 - (1) the number of parcels delinquent in the payment of special taxes;
 - (2) the aggregate amount of the delinquent special taxes;
 - (3) as to any parcel for which the delinquent special taxes represents more than 5% of the aggregate special taxes within the District;
 - i. the identity of the parcel;

- ii. the identity of the owner(s) of such parcel;
 - iii. the aggregate amount of delinquent property taxes, assessments (both fixed lien and annual) and special taxes and the accrued penalties and interest on such aggregate amount; and
- (4) the assessment delinquency rate for such preceding fiscal year.
- (f) The status of any judicial foreclosure proceedings initiated by the District as a result of the delinquency in the payment of special taxes and the summary of the results of foreclosure sales, if available.
- (g) As to any parcel for which the annual special tax levy represents more than 5% of the aggregate special tax levy within the District:
 - (1) names of the owners of such parcels;
 - (2) percentage of the special tax levy allocated to such parcels;
 - (3) status of development of such parcels;
 - (4) significant amendments to applicable District granted land use entitlements;
 - (5) status of any significant conditions of approval of development imposed by the District as to any undeveloped parcel; and
 - (6) status of any significant legislative, administrative or judicial challenges to the development of any undeveloped parcels or to the use or continuing use of any parcel known to the District.
- (h) The audited financial statement for the District (which may be in the form of excerpts from the City's Comprehensive Annual Financial Report) for the preceding fiscal year (or if not available at the time of filing, the unaudited financial statements). The audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; *provided, however*, that the District may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared.
- (i) An update as of end of the preceding fiscal year of the District of "CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. #1 (Miramar Ranch North) OVERLAPPING BONDED DEBT REPORT" contained in the Official Statement.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities,

which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (1.) Principal and interest payment delinquencies;
- (2.) Non-payment related defaults;
- (3.) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4.) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5.) Substitution of credit or liquidity providers, or their failure to perform;
- (6.) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7.) Modifications to rights of the Bondowners;
- (8.) Bond calls;
- (9.) Defeasances;
- (10.) Release, substitution, or sale of property securing repayment of the Bonds;
- (11.) Rating changes; and
- (12.) Initiation of bankruptcy proceedings by the District.

(b) The Trustee shall, promptly after obtaining actual knowledge of the occurrence of any of the Listed Events, contact the representative of the District specified in Section 12. to receive notices herewith and inform such person of the event, and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). In the absence of direction to report the event, the Dissemination Agent shall not report such event. The Dissemination Agent and the Trustee may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer of the Trustee at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the District shall as soon as possible determine if such event would constitute material information for Bondowners under applicable Federal securities law.

(d) If the District has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the District determines that the Listed Event would not be material under applicable Federal securities law, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing:

(1) notice of the occurrence of a Listed Event described in subsections (a)(1), (3) or (4) shall be given by the Dissemination Agent unless the District gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(2) notice of Listed Events described in subsections (a)(8) and (9) shall not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

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

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank Trust National Association. The Dissemination Agent may resign by providing thirty (30) days written notice to the District and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District, the Dissemination Agent and the Trustee may amend this Disclosure Agreement (and the Dissemination Agent and the Trustee shall agree to any amendment so requested by the District, *provided, however*, neither the Dissemination Agent nor the Trustee shall be obligated to enter any such amendment that modifies or increases the duties or obligations of such party hereunder), and any provision of this Disclosure Agreement may be waived, *provided* that the following conditions are satisfied:

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

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

(c) The amendment or waiver either (1) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners, or (2) does not, in the opinion of nationally recognized bond counsel, materially adversely impair the interests of the Owners or the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change in accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing the District's financial statement, (1) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles, and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee, at the written request of any Participating Underwriter or the holders including Beneficial Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has otherwise been indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys) or any Bondholder, including any Beneficial Owner, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under

this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.

Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the same protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid, as an administrative expense of the District, compensation by the District for the services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have not duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders, or any other party. Neither the Trustee nor the Dissemination Agent shall have any liability to the Bondholders or any party other than the District for any monetary damages or financial liability of any kind whatsoever related to or arising from any breach of this Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the District:

City of San Diego
Financial Management Department
202 C Street, M.S. 8-A
San Diego, California 92101
Attention: Director of Financial Management

To the Dissemination Agent:

[Same as the Trustee so long as the Trustee
is the Dissemination Agent]

To the Trustee:

U.S. Bank Trust National Association
550 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Participating Underwriters and holders, including Beneficial Owners, from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

CITY OF SAN DIEGO COMMUNITY FACILITIES
DISTRICT NO. 1 (MIRAMAR RANCH NORTH)

By: *Patricia T. Franjin*
Deputy City Manager

U.S. BANK TRUST NATIONAL ASSOCIATION as Trustee
and as Dissemination Agent

By: _____
Authorized Officer

To the Trustee:

U.S. Bank Trust National Association
550 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust

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CITY OF SAN DIEGO COMMUNITY FACILITIES
DISTRICT NO. 1 (MIRAMAR RANCH NORTH)

By: _____
Deputy City Manager

U.S. BANK TRUST NATIONAL ASSOCIATION as Trustee
and as Dissemination Agent

By:  _____
Authorized Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of San Diego, acting on behalf of City of San Diego
Community Facilities District No. 1 (Miramar Ranch North)

Name of Bond Issue: City of San Diego Community Facilities District No. 1 (Miramar
Ranch North) Special Tax Refunding Bonds, Series 1998

Date of Issuance: July 14, 1998

NOTICE IS HEREBY GIVEN that the City of San Diego, acting on behalf of City of San Diego Community Facilities District No. 1 (Miramar Ranch North) (the "District"), has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated June 1, 1998 between the District and U.S. Bank Trust National Association. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

U.S. BANK TRUST NATIONAL ASSOCIATION as
Trustee and Dissemination Agent on behalf of the District

cc: District