

S&P (Ambac Insured): AAA

Fitch (Ambac Insured): AAA

S&P (Underlying Rating): A-

See “CONCLUDING INFORMATION—Ratings” herein

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “CONCLUDING INFORMATION — Tax Exemption” herein.

\$69,945,000

**POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
2007 REVENUE BONDS**

Dated: Date of Delivery**Due: September 15, as shown below**

The Poway Unified School District Public Financing Authority 2007 Revenue Bonds (the “Bonds”) are being issued pursuant to an Indenture of Trust (the “Authority Indenture”), dated as of April 1, 2007, by and between Poway Unified School District Public Financing Authority (the “Authority”) and Zions First National Bank, as trustee (the “Trustee”) (i) to purchase six separate series of Special Tax Bonds (each a “Series of Special Tax Bonds” or “Special Tax Bonds,” as more specifically defined herein), (ii) to fund the Reserve Fund for the Bonds in an amount equal to 50% of the Reserve Requirement and to acquire a Surety Bond in an amount equal to 50% of the Reserve Requirement, (iii) to pay a portion of the interest on the Bonds through September 15, 2007 and (iv) to pay costs of issuance of the Bonds and the Special Tax Bonds.

The Bonds will be issued in the denominations of \$5,000 or any integral multiple thereof. Interest is payable on September 15, 2007, and semiannually thereafter on March 15 and September 15 each year. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee, as registrar, paying agent and trustee for the Bonds to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Trustee’s books as of the fifteenth day of the calendar month immediately preceding each interest payment date. See “THE BONDS” herein and in Appendix F — “BOOK-ENTRY-ONLY PROVISIONS.”

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

The Bonds are subject to optional redemption, special mandatory redemption from proceeds of redemption of Special Tax Bonds as a result of prepayment of Special Taxes (as defined herein) and mandatory sinking fund redemption as described herein.

The Bonds are limited obligations of the Authority. The Bonds are payable solely from Revenues (as defined herein) of the Authority and from certain other amounts on deposit in the funds and accounts under the Authority Indenture, other than the Program Fund, the Authority School Facilities Fund or the Rebate Fund and moneys received under the Insurance Policy and the Surety Bond. Revenues consist generally of the amounts received by the Trustee as the payment of each Series of Special Tax Bonds, which payments are to be derived from Special Taxes received by Community Facilities District No. 2 (Subarea IV — Torrey Highlands), Community Facilities District No. 4 (Black Mountain Ranch), Community Facilities District No. 8 (Black Mountain Ranch Phase II), Community Facilities District No. 9 (Portswood), Community Facilities District No. 10 (Torrey Highlands — Subarea IV) (Zone 1 and Zone 2), and Community Facilities District No. 12 (Black Mountain Ranch Phase II — Southern Village and The Clusters) (collectively, the “Districts”), as more fully described herein. The payments on the Special Tax Bonds are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due, assuming that the payments on the Special Tax Bonds are made when due. A default in the payment of one Series of Special Tax Bonds does not constitute a default under the others, and each Series of the Special Tax Bonds is secured by a different source of revenues. An event of default under one Series of the Special Tax Bonds may result in insufficient Revenues with which to pay the principal of and interest on the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS” herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, POWAY UNIFIED SCHOOL DISTRICT (THE “SCHOOL DISTRICT”), THE COUNTY OF SAN DIEGO (THE “COUNTY”), THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT NOR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM CERTAIN REVENUES AND CERTAIN AMOUNTS DEPOSITED BY THE AUTHORITY IN THE REVENUE FUND, BOND FUND, REDEMPTION FUND AND RESERVE FUND AS MORE FULLY DESCRIBED HEREIN.

This cover page contains certain information for general reference only. It is not a summary of this issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds involves risks which may not be appropriate for some investors. **See “BONDOWNERS’ RISKS” herein for a discussion of the risk factors that should be considered in evaluating the investment quality of the Bonds.**

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel. In addition, certain legal matters will be passed upon for the Authority, the Districts and the School District by Best Best & Krieger LLP, San Diego, California, as the general counsel for said entities. Certain matters will be passed upon for the Authority and the Districts by McFarlin & Anderson LLP, Lake Forest, California, Disclosure Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about June 20, 2007.

STONE & YOUNGBERG LLC

\$69,945,000
POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
2007 REVENUE BONDS

MATURITY SCHEDULE
\$15,245,000 SERIAL BONDS
Base CUSIP® No. 73885N†

<u>Maturity (September 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield/ Price</u>	<u>CUSIP® No.†</u>	<u>Maturity (September 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield/ Price</u>	<u>CUSIP® No.†</u>
2008	\$110,000	4.00%	3.58%	AY2	2017	\$930,000	4.00%	4.07%	BH8
2009	185,000	4.00	3.63	AZ9	2018	1,050,000	4.00	4.14	BJ4
2010	260,000	4.00	3.68	BA3	2019	1,170,000	5.00	4.21*	BK1
2011	340,000	4.00	3.73	BB1	2020	1,315,000	5.00	4.27*	BL9
2012	425,000	4.00	3.78	BC9	2021	1,465,000	5.00	4.32*	BM7
2013	515,000	4.00	3.83	BD7	2022	1,625,000	5.00	4.35*	BN5
2014	610,000	4.00	3.88	BE5	2023	1,780,000	5.00	4.37*	BP0
2015	710,000	4.25	3.94	BF2	2024	1,940,000	5.00	4.39*	BQ8
2016	815,000	4.25	4.00	BG0					
	\$9,535,000	4.500%		Term Bonds Due September 15, 2028	Yield 4.63%				CUSIP® No. 73885NBR6†
	\$13,070,000	5.000%		Term Bonds Due September 15, 2031	Yield 4.49%*				CUSIP® No. 73885NBT2†
	\$23,565,000	4.500%		Term Bonds Due September 15, 2037	Yield 4.73%				CUSIP® No. 73885NBU9†
	\$8,530,000	4.625%		Term Bonds Due September 15, 2042	Yield 4.75%				CUSIP® No. 73885NBV7†

*Priced to September 15, 2017 call.

**POWAY UNIFIED SCHOOL DISTRICT
AND POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY**

**BOARD OF EDUCATION
AND AUTHORITY BOARD OF DIRECTORS**

Jeff Mangum, President
Linda Vanderveen, Vice President
Andy Patapow, Clerk
Todd Gutschow, Member
Penny Ranftle, Member

SCHOOL DISTRICT CHIEF ADMINISTRATION

Dr. Donald A. Phillips, Ed.D, Superintendent
John P. Collins, Deputy Superintendent

SPECIAL SERVICES

**BOND COUNSEL AND GENERAL COUNSEL TO THE
AUTHORITY, THE DISTRICTS AND THE SCHOOL DISTRICT**

Best Best & Krieger LLP
San Diego, California

DISCLOSURE COUNSEL

McFarlin & Anderson LLP
Lake Forest, California

SPECIAL TAX CONSULTANT & ADMINISTRATOR

Dolinka Group, Inc.
Newport Beach, California

TRUSTEE AND FISCAL AGENT

Zions First National Bank
Los Angeles, California

GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority or a District is in any press release and in any oral statement made with the approval of an authorized officer of the Authority or the Districts or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend,” and similar expressions identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority or the Districts or any other entity described or referenced herein since the date hereof. The Authority or the Districts do not plan to issue any updates or revision to the forward-looking statements set forth in this Official Statement.

Limited Offering. No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. The Underwriter has submitted the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the School District or the Districts or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Ambac Assurance Corporation (“Ambac Assurance”) makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of the Official Statement other than the information supplied by Ambac Assurance and presented under the captions “BOND INSURANCE” and APPENDIX G – “Specimen Financial Guaranty Insurance Policy” herein.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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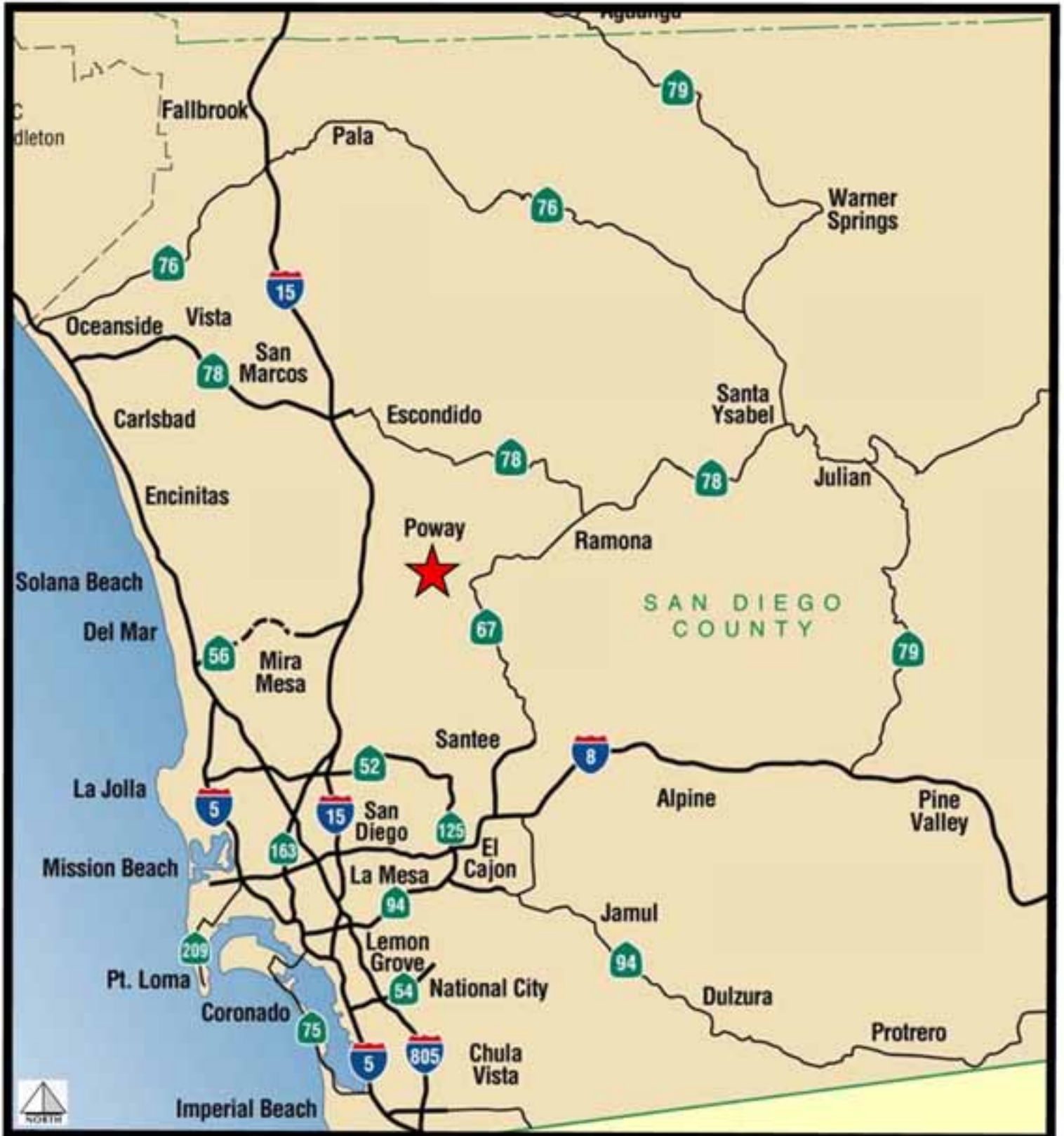
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Poway Unified School District **(San Diego County, California)**

Regional Location Map



OFFICIAL STATEMENT

\$69,945,000

POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY 2007 REVENUE BONDS

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

General

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the “Official Statement”), is to provide certain information concerning the sale and issuance of the Poway Unified School District Public Financing Authority 2007 Revenue Bonds (the “Bonds”).

The Bonds are being issued pursuant to an Indenture of Trust (the “Authority Indenture”), dated as of April 1, 2007, by and between the Authority and Zions First National Bank, as the trustee (the “Trustee”). See “THE BONDS – Authority for Issuance” herein.

Purpose of Issue

The Bonds are being issued for the purpose of providing funds to purchase six series of Special Tax Bonds (each a “Series of Special Tax Bonds” or “Special Tax Bonds,” as applicable), consisting of:

<u>Issuing Community Facilities District</u>	<u>Special Tax Bonds</u>
Poway Unified School District Community Facilities District No. 2 (Subarea IV – Torrey Highlands) (“CFD No. 2”)	Poway Unified School District Community Facilities District No. 2 2007 Surplus Special Tax Bonds (the “CFD No. 2 Special Tax Bonds”) ⁽¹⁾
Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch) (“CFD No. 4”)	Poway Unified School District Community Facilities District No. 4 2007 Special Tax Bonds” (the “CFD No. 4 Special Tax Bonds”)
Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II) (“CFD No. 8”)	Poway Unified School District Community Facilities District No. 8 2007 Improvement Area B Special Tax Bonds (the “CFD No. 8 Special Tax Bonds”)
Poway Unified School District Community Facilities District No. 9 (Portswood) (“CFD No. 9”)	Poway Unified School District Community Facilities District No. 9 2007 Special Tax Bonds (the “CFD No. 9 Special Tax Bonds”)
Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) (Zone 1 and Zone 2) (“CFD No. 10”)	Poway Unified School District Community Facilities District No. 10 2007 Special Tax Bonds (the “CFD No. 10 Special Tax Bonds”)
Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) (“CFD No. 12”)	Poway Unified School District Community Facilities District No. 12 2007 Special Tax Bonds (the “CFD No. 12 Special Tax Bonds”)

⁽¹⁾ These Bonds are subordinate to \$12,635,000 aggregate principal amount of bonds issued by CFD No. 2 on March 20, 2003, of which \$12,135,000 were outstanding as of February 1, 2007 (the “2003 CFD No. 2 Bonds”).

Proceeds of the Bonds will also be used as follows: (i) to finance the acquisition by the Authority of the Special Tax Bonds; (ii) to fund the Reserve Fund for the Bonds in an amount equal to 50% of the Reserve

Requirement and to acquire a Surety Bond (the “Surety Bond”) in an amount equal to 50% of the Reserve Requirement; (iii) to pay a portion of the interest on the Bonds through September 15, 2007; and (iv) to pay costs of issuance of the Bonds and the Special Tax Bonds. The Bonds shall constitute special obligations of the Authority. Proceeds of the Special Tax Bonds will be used (i) to acquire and construct certain school facilities, all as further described under “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS”; and (ii) to pay interest on the Special Tax Bonds through September 1, 2007, and through such payment a portion of the interest on the Bonds through September 15, 2007, which together with capitalized interest on the Bonds, will pay interest on the Bonds through September 15, 2007.

Authority for Issuance

The Bonds are authorized to be issued in accordance with the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 (commencing with Section 6584), of Chapter 5, Division 7, Title 1 of the California Government Code and the Authority Indenture. The Authority Indenture permits the issuance of additional debt on a parity with the Bonds for refunding purposes. Each District may issue bonds on a parity with the Special Tax Bonds subject to compliance with the provisions of the applicable District Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – Refunding Bonds; Additional Special Tax Bonds.”

The Authority

The Authority is a joint exercise of powers agency organized under the joint exercise of powers act, constituting Article 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Act”). It is composed of the Poway Unified School District (the “School District”) and Community Facilities District No. 1 of the Poway Unified School District (“CFD No. 1”). Pursuant to the Act, the Authority is authorized to issue revenue bonds to be repaid from the proceeds of public obligations and to provide financing and refinancing for public capital improvements, including for the Districts.

The Districts

The Districts were created by the School District pursuant to proceedings taken under the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code) (the “Act”). Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified voters within a community facilities district and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect special taxes to repay such bonded indebtedness.

The Districts were established and the levy of Special Taxes (the “Special Taxes” or the “Special Tax”) on the real property within the boundaries of the respective Districts and the incurrence by the respective Districts of bonded indebtedness were authorized pursuant to the Act. Each District was established to finance the acquisition and construction of school facilities. The Districts have not previously issued Special Tax Bonds or any bonded indebtedness.

CFD No. 2 includes several non-contiguous areas of land located in that portion of the School District within the boundaries of the City of San Diego (the “City”). The parcels are within the Torrey Highlands community which is in the southwest quadrant of the School District and west of Rancho Peñasquitos. CFD No. 2 is located along the south section of Camino del Sur and straddles the east-west

corridor of SR-56. CFD No. 2 originally encompassed approximately 1,071 gross acres but owners of approximately 470 gross acres requested creation of CFD No. 10 to finance both school facilities and other public facilities, and the approximately 470 gross acres is no longer subject to the CFD No. 2 Special Tax leaving approximately 601 gross acres (approximately 183.02 taxable acres) encompassing, as of January 1, 2007, approximately 437 residential units which are currently taxable as Developed Property. The owner of an approximately 122 unit apartment complex prepaid its Special Taxes and is no longer subject to the levy of Special Taxes. CFD No. 2 is located in the north part of Torrey Highlands Subarea IV, in the north part of the City. See “THE DISTRICTS – General” herein.

CFD No. 4 is contiguous and is located in a portion of the School District which is within the City and known as Santaluz. It is located north of Carmel Valley Road and southeast of San Dieguito Road. Camino del Sur runs north and south through CFD No. 4. CFD No. 4 is approximately 2,937 gross acres (approximately 575.17 taxable acres). CFD No. 4 is located generally northwest from Carmel Valley Road. CFD No. 4 is located approximately 4.5 miles west of Interstate 15, in the northern portion of the County. As of January 1, 2007, 691 single family detached homes were classified as Developed Property of which 676 homes were owned by individual homeowners. In addition, two homeowners have prepaid their Special Taxes. See “THE DISTRICTS – General” herein.

Improvement Area B of CFD No. 8 includes several non-contiguous areas of land located in a portion of the School District within the City. Most of the parcels lie west of Camino del Sur and north of Carmel Valley Road and border the western boundary of the School District. Improvement Area B of CFD No. 8 also contains parcels located south of the Del Norte High School site and parcels located southeast of the Carmel Valley Road extension in the Rancho Peñasquitos area. Improvement Area B of CFD No. 8 is approximately 514 gross acres (approximately 478.37 taxable acres). Improvement Area B of CFD No. 8 is located south of San Dieguito Road and west of Camino del Sur. Other portions of Improvement Area B of CFD No. 8 are located west of Dove Canyon Road and south of Camino del Sur. Another portion of Improvement Area B of CFD No. 8 is located south of Bernardo Center Drive and south of Camino del Norte, just west of Interstate 15. As of January 1, 2007, 199 residential units are classified as Developed Property and are taxable, of which 189 are single-family detached homes and 10 are affordable dwelling units on a single assessor’s parcel. In addition, the owner of one single-family detached unit and the owner of 26 affordable units prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. As of January 1, 2007, the 189 single-family homes were owned by individual homeowners. See “THE DISTRICTS – General” herein.

CFD No. 9 is contiguous and is located in a portion of the School District which is within an unincorporated area of the County. The parcel is west of the 4S Ranch community in an area known as Santa Fe Valley. The parcel is contiguous with Four Gee Road on the westerly boundary of CFD No. 9. CFD No. 9 is approximately 63.95 gross acres (approximately 42.36 taxable acres) encompassing approximately 63 single-family detached homes. CFD No. 9 is located south of Camino Sante Fe and north of Artesian Road approximately 2 miles west of Interstate 15 in the northern portion of the County. As of January 1, 2007, all 63 single-family homes were subject to the Special Tax and owned by individual Homeowners. See “THE DISTRICTS – General” herein.

CFD No. 10 includes several non-contiguous areas of land located in a portion of the School District which is within the City. It straddles SR-56 to the north and south and includes parcels on both the east and west side of Camino del Sur adjacent to the Westview High School parcel. CFD No. 10 is approximately 469.16 gross acres (approximately 156.07 taxable acres). CFD No. 10 is located along Camino del Sur, south of Carmel Valley Road, to the west of Rancho Peñasquitos, to the east by Pacific Highlands Ranch and to the south of Black Mountain Ranch. CFD No. 10 is located approximately 4 miles east of Interstate 5 and approximately 3 miles west of Interstate 15. As of January 1, 2007, 1,183

dwelling units are classified as Developed Property, of which 828 are single-family detached homes and 355 are single-family attached units. In addition, the owners of 22 single-family detached units and the owner of a 102-unit apartment complex prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. In addition, Vista Terraza Housing Partners, the owner of an apartment complex with 123 affordable units (the “123-Unit CFD No. 10 Apartment Complex”), prepaid its Special Taxes on or about May 10, 2007. See “THE DISTRICTS – General” herein.

CFD No. 12 includes several non-contiguous areas of land located in a portion of the School District which is within the City. The eastern portion of CFD No. 12 consists of several parcels north and south of the easterly portion of Carmel Valley Road. Additional parcels are in the northwestern portion of the School District west of Camino del Sur and within the Del Sur community. The remaining parcel is within the Santaluz community west of Camino del Sur between Via Azul and Lanza Drive. CFD No. 12 is approximately 320.63 gross acres (approximately 280.63 taxable acres). CFD No. 12 is located approximately 2 miles west of Interstate 15. As of January 1, 2007, 245 single-family detached homes are classified as Developed Property of which 218 homes were owned by individual homeowners. See “THE DISTRICTS – General” herein.

The School District

Poway Unified School District (the “School District”) is located in the central portion of the County. The School District was originally formed in 1962. The School District currently covers approximately 100 square miles. The School District includes the City of Poway and portions of the City and the County, including the communities of Black Mountain Ranch, 4S Ranch, Carmel Mountain Ranch, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santaluz, Santa Fe Valley, Torrey Highlands and Del Sur. The School District currently operates twenty-three (23) elementary schools, six (6) middle schools, four (4) comprehensive high schools, one (1) continuation high school and one (1) adult school. The School District estimates it has approximately 32,873 students enrolled during Fiscal Year 2006-07. See APPENDIX A.

Security for the Bonds

The Bonds. The Bonds are secured by the Revenues of the Authority and by any other amounts held in any fund or account established pursuant to the Authority Indenture, other than the Program Fund (including the Costs of Issuance Account therein), the Authority School Facilities Fund and the Rebate Fund. Generally, “Revenues” are (i) all amounts derived by the Authority from the Special Tax Bonds; (ii) all moneys originally deposited with the Trustee for application for payment of principal or interest on the Bonds and all moneys held by the Trustee in the funds and accounts established herein for payment of the Bonds (excluding the Program Fund, the Authority School Facilities Fund and the Rebate Fund) and (iii) investment income with respect to the funds and accounts established under the Authority Indenture except for investment earnings on moneys held in the Program Fund, the Authority School Facilities Fund and the Rebate Fund. Subject only to the provisions of the Authority Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Revenues are pledged to secure the payment of each payment under the Surety Bond in accordance with the terms thereof and the provisions of the Authority Indenture. Said pledge of such assets, and the lien thereon created by the Authority Indenture, is junior and subordinate to the pledge of, and lien on, such assets to secure payment of the Bonds. The Authority Indenture permits the issuance of additional Bonds secured by Revenues only to effect a refunding of Bonds in whole or in part under certain circumstances described in the Authority Indenture. Each District may issue Bonds on a parity with the Special Tax Bonds subject to compliance with the provisions of the applicable District Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – General,” “SOURCES OF PAYMENT FOR THE BONDS – Refunding Bonds;

Additional Special Tax Bonds” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS.”

See the section of this Official Statement entitled “BONDOWNERS’ RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

Neither the faith and credit nor the taxing power of School District, the Districts, the State of California (the “State”) or any political subdivision thereof is pledged to the payment of the Bonds. The Authority has no taxing power. Except for the Revenues and moneys received under the Insurance Policy and the Surety Bond, no other revenues or taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the School District, general obligations of the Districts or general obligations of the Authority, but are limited obligations of the Authority payable solely from Revenues, certain amounts held under the Authority Indenture as more fully described herein and moneys received under the Insurance Policy and the Surety Bond.

The Special Tax Bonds. The Special Tax Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”), to finance certain capital costs of the School District and to pay interest on the Special Tax Bonds through September 1, 2007. The Special Tax Bonds are being issued by the Districts pursuant to the Act and under separate Bond Indentures, each dated as of April 1, 2007, each by and between the applicable District and Zions First National Bank, as Fiscal Agent for each Series of the Special Tax Bonds.

The Special Tax Bonds are limited obligations of each District, payable from the net amount of Special Tax (the “Special Taxes” or the “Special Tax”) levied on real property within the respective boundaries of each of the Districts minus amounts applied to pay the Administrative Expense Requirement. The Special Taxes are collected on the regular property tax bills sent to the owners of real property within the applicable District. See “SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds.” As noted above, the CFD No. 2 Special Tax Bond is subordinate to bonds previously issued by such CFD. See “THE DISTRICTS – General” below.

The amount of the Special Taxes to be levied annually on a parcel will depend on its classification in accordance with the applicable Rate and Method of Apportionment of Special Tax. See “THE DISTRICTS – Rates and Methods of Apportionment of Special Tax” and APPENDIX B. Each of the Districts has covenanted for the benefit of the Authority that, under certain circumstances described herein, a District will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within such District and will diligently pursue such proceedings to completion. See “SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure.”

Each District has covenanted in the applicable District Bond Indenture to levy in each Fiscal Year the Special Taxes on parcels of land within such District pledged to the repayment of the respective Special Tax Bonds in an amount sufficient to pay annual debt service on the respective Special Tax Bonds, and to pay the administrative expenses related to the applicable District, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within such District. Each District has also agreed to pay a portion of the administrative expenses of the Authority and to pay costs incurred due to a draw on the Surety Bond with respect to such District’s allocation of the Reserve Fund, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within such District. See “THE DISTRICTS” for a description of the Districts and a description of the Special Tax within each District. See also “SOURCES OF PAYMENT FOR THE BONDS” and “BONDOWNERS’ RISKS” herein.

The Special Tax Bonds are special obligations of each District. The Special Tax Bonds do not constitute a debt or liability of the School District, the State or of any political subdivision thereof, other than the applicable District. Each District shall only be obligated to pay the principal of the applicable Special Tax Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the School District, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Special Tax Bonds. The Districts have no *ad valorem* taxing power. See “SOURCES OF PAYMENT FOR THE BONDS” and “BONDOWNERS’ RISKS” herein.

Non-Asset Bonds. Scheduled payment of debt service on the Special Tax Bonds when due is designed to be sufficient to provide the Authority with funds to pay the principal of, premium, if any, and interest on the Bonds when due. For a description of the effect of prepayment of all or substantially all of the Special Tax Bonds, see “SOURCES OF PAYMENT FOR THE BONDS – Non-Asset Bonds.”

Assessed Values

The Fiscal Year 2006-07 assessed values of the property within each District (excluding Exempt Property (as defined in each Rate and Method of Apportionment of Special Tax) and parcels for which Special Taxes have been prepaid) were as follows:

District	Estimated Assessed Value	Estimated Value-to-Lien
CFD No. 2	\$343,963,732	25.04:1
CFD No. 4	741,706,617	15.91:1
CFD No. 8 Improvement Area B	218,012,319	12.78:1
CFD No. 9	72,907,732	19.87:1
CFD No. 10 ⁽¹⁾	742,162,736	10.93:1
CFD No. 12	<u>178,533,935</u>	<u>23.22:1</u>
Total	\$2,297,287,071	14.66:1

(1) The Assessed Value of the 123-Unit CFD No. 10 Apartment Complex has not been included in the estimated assessed value of CFD No. 10.

The assessed values result in estimated value-to-lien ratios for each CFD ranging from 10.93:1 to 25.04:1, calculated in each case with respect to all direct and overlapping tax and assessment debt as of the estimated closing date. The value-to-lien ratios of individual parcels will differ from the foregoing aggregate values. See “THE DISTRICTS – Assessed Values,” and “ – Direct and Overlapping Debt,” and “BONDOWNERS’ RISKS – The Special Tax Bonds – Assessed Values” herein and for further information on the assessed values and for assumptions and limiting conditions relating to the assessed values.

Reserve Fund

Pursuant to the Authority Indenture, the Authority has established with the Trustee, the Reserve Fund. If the amounts in the Interest Account or the Principal Account of the Bond Fund, are insufficient to pay the principal of, including sinking fund payments, or interest on the Bonds when due, the Trustee will withdraw from the Reserve Fund moneys for deposit in the Interest Account and/or the Principal Account, as applicable, necessary for such purposes. Initially the Reserve Fund will be funded, and the Reserve Requirement satisfied, 50% through proceeds of the Bonds and 50% through the delivery of the Surety Bond. Each District has agreed to pay costs to the extent the Surety Bond is drawn as a result of a delinquency on its Series of Special Tax Bonds and not for any other purpose. The Reserve Requirement

as of any date of calculation will be in an amount required by the Authority Indenture which provides that the Reserve Requirement means, as of the date of calculation, an amount equal to 5% of the initial principal amount of the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust.”

Insurance Policy

Payments of principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy (the “Insurance Policy”) to be issued simultaneously with the delivery of the Bonds by Ambac Assurance Corporation (“Ambac Assurance”). See “BOND INSURANCE” and APPENDIX G – “SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY” herein.

Sources of Payment for the Special Tax Bonds

The Special Tax Bonds will be secured by Net Special Tax Revenues (Net Surplus Special Tax Revenues with respect to CFD No. 2) received by each District and pledged to repay the outstanding Special Tax Bonds and by moneys in the applicable District Bond Service Fund, and the District Redemption Fund as established under each District Bond Indenture. “Net Special Tax Revenues” are comprised of Special Taxes levied and received on parcels of real property in each of the Districts, including net amounts collected from the redemption of delinquent Special Taxes less the Administrative Expense Requirement. The Special Taxes are included on the *ad valorem* property tax bills sent by the County each year to the owners of record of property within each District. CFD No. 2 previously issued \$12,635,000 aggregate principal amount of its 2003 Special Tax Bonds of which \$12,135,000 are outstanding as of March 1, 2007. The CFD No. 2 Special Tax Bonds are subordinate to such 2003 Special Tax Bonds. “Net Surplus Special Tax Revenues” with respect to CFD No. 2 are comprised of Special Taxes levied and received on parcels of Developed Property in CFD No. 2, after payment of the 2003 Special Tax Bonds (including net amounts collected from the redemption of delinquent Special Taxes) less the Administrative Expense Requirement with respect to the 2003 Special Tax Bonds and the CFD No. 2 Special Tax Bonds. The Special Taxes are included on the *ad valorem* property tax bills sent by the County each year to the owners of record of property within each District.

Each District has covenanted for the benefit of the Authority, as the owner of the Special Tax Bonds that the District will take action with respect to delinquencies in the payment of Special Taxes, including commencing foreclosure action, all as set forth in the applicable District Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure.”

Neither the faith and credit nor the taxing power of the School District, the County, the State or any political subdivision thereof is pledged to the payment of the Special Tax Bonds. Except for the Net Special Tax Revenues, no other taxes are pledged to the payment of the Special Tax Bonds. The Special Tax Bonds are not general or special obligations of the School District nor general obligations of the Districts, but are limited obligations of each District payable solely from certain amounts deposited by such District in the Bond Service Fund and Redemption Fund as more fully described herein.

No Direct Cross-Collateralization Among Special Tax Bonds. The Special Taxes levied to pay debt service on one series of Special Tax Bonds are not available to pay debt service on any other series of Special Tax Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds – No Direct Cross-Collateralization Among Special Tax Bonds” and “BONDOWNERS’ RISKS.” However, it is currently anticipated that annual Net Special Tax Revenues (or Surplus Net Special Tax

Revenues with respect to CFD No. 2) available for debt service on the Special Tax Bonds will exceed the debt service on the Special Tax Bonds. Any excess will be transferred as follows: (i) to the Authority Trustee in an amount, if any, necessary to restore the Authority Reserve Fund to the Authority Reserve Requirement, to the extent that any draw on the Authority Reserve Fund was attributable to a deficiency in the amount of debt service received by the Authority on the applicable Special Tax Bonds; (ii) to the Authority Trustee the District's Proportionate Share of any Excess Authority Rebate Obligation; (iii) to the District Trustee for District Administrative Expenses; (iv) to the Authority Trustee for the District's proportionate share of the Authority Administrative Expenses; and (v) to the Authority Trustee for deposit to the Authority Surplus Fund. See "SOURCES OF PAYMENT FOR THE BONDS – Surplus Fund" and "THE SPECIAL TAX BONDS – Scheduled Debt Service on the Bonds."

Additional Bonds; Additional Special Tax Bonds

The Authority Indenture permits the issuance of additional debt on a parity with the Bonds for refunding purposes. Each District may issue Bonds on a parity with the Special Tax Bonds subject to compliance with the provisions of the applicable District Bond Indenture. In the case of CFD No. 2, such CFD No. 2 parity bonds would be on a parity with the CFD No. 2 Special Tax Bonds but subordinate to the 2003 CFD No. 2 Bonds.

Description of the Bonds

The Bonds. The net proceeds of the Bonds will be used to acquire Special Tax Bonds of each District and to fund the Reserve Fund, 50% with Bond proceeds and 50% with the Surety Bond. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE DISTRICTS" herein.

Payments. Interest is payable on September 15, 2007, and semiannually thereafter on March 15 and September 15 each year. Principal of and premium, if any, on the Bonds shall be payable by the Trustee, as registrar, transfer agent and trustee. See "THE BONDS" and APPENDIX F – "BOOK-ENTRY-ONLY PROVISIONS" herein.

Redemption. The Bonds are subject to optional redemption, special mandatory redemption from proceeds of redemption of Special Tax Bonds as a result of prepayment of Special Taxes (as defined herein) and mandatory sinking fund redemption as described herein. See "THE BONDS – Redemption" herein.

Registration, Transfers and Exchanges. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") under the book-entry system maintained by DTC. See "THE BONDS" and APPENDIX F – "BOOK-ENTRY-ONLY PROVISIONS."

Tax Exemption

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the Bonds will be exempt from State personal income taxes. See "CONCLUDING INFORMATION – Tax Exemption" herein.

Risk Factors Associated with Purchasing the Bonds

Investment in the Bonds involves risks that may not be appropriate for some investors. See the section of this Official Statement entitled “BONDOWNERS’ RISKS” for a discussion of certain risk factors which should be considered, in addition to the other materials set forth herein, in considering the investment quality of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget,” “anticipate” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption “THE DISTRICTS” therein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY AND THE DISTRICTS AND THE SCHOOL DISTRICT DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Zions First National Bank, Los Angeles, California will serve as the Trustee for the Bonds and as the Fiscal Agent for the Special Tax Bonds and will perform the functions required of it under the Authority Indenture and each District Bond Indenture for the payment of the principal of and interest and any premium on the Bonds and the Special Tax Bonds and all activities related to the redemption of the Bonds. Best Best & Krieger LLP, San Diego, California, is serving as Bond Counsel to the Authority and the Districts and general counsel to the School District. Stone & Youngberg LLC is acting as Underwriter in connection with the issuance and delivery of the Bonds and McFarlin & Anderson LLP, Lake Forest, California, is acting as Disclosure Counsel.

Dolinka Group, Inc., Newport Beach, California, is acting as Special Tax Consultant, administrator and dissemination agent to the Authority and the Districts.

Except for some Special Tax Consultant fees paid from Special Taxes, payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Underwriter, the Special Tax Consultant, the Trustee, the Fiscal Agent, Ambac Assurance and the rating agencies is contingent upon the issuance of the Bonds.

Continuing Disclosure

The Authority and each District have covenanted in the Continuing Disclosure Agreement, the form of which is set forth in APPENDIX D – “Form of Continuing Disclosure Agreement” (the “Continuing Disclosure Agreement”), for the benefit of Owners and Beneficial Owners of the Bonds, to provide certain financial and operating data relating to the Bonds, the Special Tax Bonds, the Authority, the School District, and the Districts. The Annual Report will be delivered by not later than January 31, in each year, commencing with January 31, 2008 (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material.

The Annual Report will be filed by the Authority or the Districts, or Dolinka Group, Inc., as Dissemination Agent on behalf of the Authority and the Districts, with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State information depository, if any (collectively, the “Repositories”) with a copy to the Trustee, the Fiscal Agent and the Underwriter. Any notice of a material event will be filed by the Authority or the Districts, or the Dissemination Agent on behalf of the Authority and the Districts, with the Municipal Securities Rulemaking Board and the appropriate State repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in the Continuing Disclosure Agreement. The covenants of the Authority and each District in the Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “Rule”); *provided, however*, a default under the Continuing Disclosure Agreement will not, in itself, constitute an Event of Default under the Authority Indenture or the District Bond Indentures, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Authority, a District or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel performance. The Authority, the School District and the Districts have not ever failed to comply, in any material respect, with an undertaking under the Rule. The Authority and the Districts have no prior undertaking under the Rule.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Bonds, certain sections of the Authority Indenture, the District Bond Indentures, security for the Bonds, special risk factors, the Authority, the Districts, the School District, the development in each District and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Authority Indenture, the District Bond Indentures, and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Authority Indenture, the District Bond Indentures, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. Copies of such documents may be obtained from the Office of the Clerk of the Board of Education (the “Board”) of the Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3034.

THE FINANCING PLAN

The Bonds are being issued for the purpose of providing funds to the Authority to purchase the Special Tax Bonds. The proceeds from the sale of the Special Tax Bonds to the Authority will be used, together with other available moneys, to finance Del Norte High School and, to the extent additional funds are available, other eligible school facilities. Project Costs, as defined in each District Bond

Indenture, include the cost of design, acquisition, construction and installation of the school facilities and all costs relating thereto.

**APPLICATION OF BOND PROCEEDS;
ESTIMATED SOURCES AND USES OF FUNDS**

The Bonds. The estimated sources and uses of Bond proceeds and other amounts received by the Authority are as follows:

<i>Sources:</i>	
Authority Bond Amount	\$69,945,000.00
Underwriter's Discount	(699,450.00)
Net Original Issue Discount	<u>(131,615.45)</u>
Total	\$69,113,934.55
 <i>Uses:</i>	
Reserve Fund ⁽¹⁾	\$1,748,625.00
Acquisition of CFD No. 2 Special Tax Bonds ⁽²⁾	1,529,381.37
Acquisition of CFD No. 4 Special Tax Bonds ⁽²⁾	11,468,109.11
Acquisition of CFD No. 8 Special Tax Bonds ⁽²⁾	7,010,574.00
Acquisition of CFD No. 9 Special Tax Bonds ⁽²⁾	1,636,661.50
Acquisition of CFD No. 10 Special Tax Bonds ⁽²⁾	36,569,005.85
Acquisition of CFD No. 12 Special Tax Bonds ⁽²⁾	7,355,016.60
Capitalized Interest ⁽³⁾	220,000.00
Costs of Issuance ⁽²⁾	<u>1,576,561.12</u>
Total	\$69,113,934.55

⁽¹⁾ Initially, the Reserve Fund will be funded 50% through proceeds of the Bonds and 50% through a Surety Bond. See the description of the sources and uses of the Districts' Special Tax Bonds below for the contribution from each District.

⁽²⁾ A portion of the proceeds of all of the Special Tax Bonds will be deposited by such Districts in the Authority School Facilities Fund. A portion of the proceeds of the Bonds will be deposited in the Costs of Issuance Account within the Authority Program Fund. See the description of the sources and uses of the Districts' Special Tax Bonds below.

⁽³⁾ A portion of the interest payable on the Bonds on September 15, 2007 is capitalized. The balance of the interest payable on the Bonds on September 15, 2007 will be paid from interest on the Special Tax Bonds, which interest is capitalized as described below.

Costs of issuance will be paid by the Authority and include legal fees, Underwriter's fees, Bond Counsel fees, the cost of the Special Tax Consultant fees, Trustee fees, Fiscal Agent fees, bond insurance fees, the premium for the Surety Bond, rating agency fees, printing costs and other costs associated with issuance of the Bonds and the Special Tax Bonds. Each District will deposit moneys with the Trustee to pay interest on the applicable Special Tax Bonds through September 1, 2007. Such payment, together with capitalized interest with respect to the Bonds will be sufficient to pay interest on the Bonds through September 15, 2007. See the applicable description of the uses of Special Tax Bonds below. Fifty percent (50%) of the Reserve Requirement will be funded through the Surety Bond. See "Sources of Payment for the Bonds – Reserve Fund."

Special Tax Bonds. The proceeds received from the Authority for the sale of the Special Tax Bonds, together with certain Special Taxes previously collected, are expected to be used for capital costs of school facilities, all as provided below:

	<u>CFD No. 2</u>	<u>CFD No. 4</u>	<u>CFD No. 8</u>	<u>CFD No. 9</u>	<u>CFD No. 10</u>	<u>CFD No. 12</u>	<u>Total</u>
<i>Sources:</i>							
Special Tax Bonds Bond Amount	\$1,598,847.12	\$11,989,000.00	\$7,329,000.00	\$1,711,000.00	\$38,230,000.00	\$7,689,087.48	\$68,546,934.60
Authority's Discount ⁽¹⁾	<u>(69,465.75)</u>	<u>(520,890.89)</u>	<u>(318,426.00)</u>	<u>(74,338.50)</u>	<u>(1,660,994.15)</u>	<u>(334,070.88)</u>	<u>(2,978,186.17)</u>
Total	\$1,529,381.37	\$11,468,109.11	\$7,010,574.00	\$1,636,661.50	\$36,569,005.85	\$7,355,016.60	\$65,568,748.43
 <i>Uses:</i>							
Capitalized Interest ⁽²⁾	–	\$113,495.87	\$69,381.20	\$16,197.47	\$361,910.67	–	\$560,985.21
School Facilities Fund	<u>\$1,529,381.37</u>	<u>11,354,613.24</u>	<u>6,941,192.80</u>	<u>1,620,464.03</u>	<u>36,207,095.18</u>	<u>\$7,355,016.60</u>	<u>65,007,763.22</u>
Total	\$1,529,381.37	\$11,468,109.11	\$7,010,574.00	\$1,636,661.50	\$36,569,005.85	\$7,355,016.60	\$65,568,748.43

⁽¹⁾ Represents each District's proportionate share of the Cost of Issuance.

⁽²⁾ Capitalized interest on the Special Tax Bonds through September 1, 2007.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Act, a Resolution of Issuance and the Authority Indenture. The Bonds are issued upon and primarily secured by certain Revenues derived from debt service payments on the Special Tax Bonds. The Special Tax Bonds are issued upon and primarily secured by certain Special Taxes levied against parcels of land with each District.

General Provisions

The Bonds will be dated the date of delivery thereof, and will be issued in the aggregate principal amount set forth on the cover hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the cover page hereof, payable semiannually on each March 15 and September 15, commencing September 15, 2007 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the cover page hereof. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof. When issued, the Bonds will be registered in the name of CEDE & CO., as nominee of The Depository Trust Company, New York, New York ("DTC") See APPENDIX F – "BOOK-ENTRY-ONLY PROVISIONS." So long as the Bonds are in book-entry only form, "Bondowners" or "Owners" means DTC and not the Beneficial Owners of the Bonds.

Principal and premium, if any, on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the principal corporate trust office of the Trustee. Interest on the Bonds (including the final interest payment upon maturity or early redemption) is payable by check of the Trustee mailed by first class mail to the registered Owners as shown on the Trustee's books as of the fifteenth day of the calendar month immediately preceding each interest payment date (whether or not such day is a business day).

Redemption

Optional Redemption. The Bonds maturing on and after September 15, 2018 may be redeemed prior to maturity, in whole or in part, pro rata among maturities and by lot within a maturity, at the option of the Authority, on any Interest Payment Date on and after September 15, 2017, from any source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Special Mandatory Redemption. All Bonds are subject to special mandatory redemption prior to maturity from proceeds received by the Authority as a result of optional or mandatory redemption of Special Tax Bonds caused by a prepayment of Special Taxes. The Bonds are subject to redemption in whole or in part, on any March 15 or September 15 upon payment of the redemption price thereof (computed upon the principal amount of the Bonds to be redeemed), plus accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 15, 2015	103%
September 15, 2015 and March 15, 2016	102
September 15, 2016 and March 15, 2017	101
September 15, 2017 and any Interest Payment Date thereafter	100

Mandatory Sinking Payment Redemption. The Bonds maturing on September 15, 2028, are subject to mandatory sinking redemption in part by lot, on September 15 in each year commencing September 15, 2025, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate respective principal amount and in the years shown on the following redemption schedule:

2028 TERM BONDS

<u>Sinking Fund Redemption Date</u>	<u>Sinking Payments</u>
2025	\$2,115,000
2026	2,290,000
2027	2,470,000
2028 (maturity)	2,660,000

The Bonds maturing on September 15, 2031, are subject to mandatory sinking redemption in part by lot, on September 15 in each year commencing September 15, 2029, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate respective principal amount and in the years shown on the following redemption schedule:

2031 TERM BONDS

Sinking Fund Redemption Date	Sinking Payments
2029	\$4,040,000
2030	4,350,000
2031 (maturity)	4,680,000

The Bonds maturing on September 15, 2037, are subject to mandatory sinking redemption in part by lot, on September 15 in each year commencing September 15, 2032, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate respective principal amount and in the years shown on the following redemption schedule:

2037 TERM BONDS

Sinking Fund Redemption Date	Sinking Payments
2032	\$5,025,000
2033	3,245,000
2034	3,465,000
2035	3,695,000
2036	3,940,000
2037 (maturity)	4,195,000

The Bonds maturing on September 15, 2042, are subject to mandatory sinking redemption in part by lot, on September 15 in each year commencing September 15, 2038, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate respective principal amount and in the years shown on the following redemption schedule:

2042 TERM BONDS

Sinking Fund Redemption Date	Sinking Payments
2038	\$4,460,000
2039	1,270,000
2040	1,340,000
2041	715,000
2042 (maturity)	745,000

The amounts in the foregoing tables will be reduced in the manner specified in the Authority Indenture as a result of any partial optional or special mandatory redemption of the Bonds.

Selection of Bonds for Redemption. If less than all of the Outstanding Bonds of a maturity are to be redeemed, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate. Upon surrender of Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the registered Owner, at the expense of the Authority, a new Bond or Bonds, of authorized denominations equal in aggregate principal amount and maturity to the unredeemed portion of the Bond or Bonds.

Purchase of Bonds In Lieu of Redemption. In lieu of any redemption of the Bonds, Revenues on deposit in the Revenue Fund, which are to be transferred to the Redemption Account or moneys on deposit in the Redemption Account may also be used and withdrawn by the Trustee at any time, upon the written request of the Authority, for the purchase of the Bonds at public or private sale as and when and at such prices (which including brokerage and other charges shall not be in excess of the principal amount thereof of the Bonds being purchased) as the Authority may in its discretion determine. The principal amount of the Bonds so purchased by the Authority in any twelve-month period ending on July 1 in any year shall be credited towards and shall reduce the principal amount of the Bonds required to be paid or redeemed pursuant to the mandatory sinking fund provisions described above on September 15 in such year; *provided* that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said July 1.

Notice of Redemption. So long as the Bonds are held in book-entry form, notice of redemption will be mailed by the Trustee only to DTC and not to the Beneficial Owners (as defined in APPENDIX F) of Bonds under the DTC book-entry-only system. Neither the Authority nor the Trustee is responsible for notifying the Beneficial Owners, who are to be notified in accordance with the procedures in effect for the DTC book-entry system. Notice of redemption, containing the information required by the Authority Indenture will be mailed by first class mail, postage prepaid, by the Trustee at least 30 days but not more than 60 days prior to the redemption date. The Trustee must also give notice of redemption to each of certain Securities Depositories and Information Services specified in the Authority Indenture. The notice of redemption shall state the redemption date, the place or places of redemption, the CUSIP® numbers and bond numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective denominations of the principal amount thereof to be redeemed. Neither the failure of any Bond Owner to receive such notice so mailed nor any defect in the notice so mailed will affect the sufficiency or the validity of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date.

Effect of Notice of Redemption. From and after the date fixed for redemption, moneys for the redemption of the Bonds to be redeemed, together with interest to said date of redemption, shall be held by the Trustee so as to be available therefor on such date of redemption, and, if notice of redemption has been given and not canceled, then, from and after the date of redemption, interest represent by such Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds to be redeemed without liability for interest thereon. All liability of the Authority in respect of such Bonds will cease, terminate and be completely discharged, and the Owners thereof will thereafter be entitled only to payment out of such money or securities deposited with the Trustee for their payment.

Circumstances Leading to Redemption of Bonds Prior to Maturity. Bond purchasers should be aware of the following circumstances, among others, that may lead to redemption of Bonds prior to maturity:

- (i) Prepayment of all or part of any Special Taxes within a District;

- (ii) Issuance of refunding bonds – pursuant to the Act, the Authority may issue refunding bonds for the purpose of redeeming the Bonds; and
- (iii) Accumulation of investment income in the Bond Service Fund.

Transfer and Exchange of Bonds

Any Bond may be transferred upon the registration books by the Trustee upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. The Authority may charge a reasonable sum for each new bond issued upon any exchange and the Trustee will require the Bond Owner requesting a transfer or exchange to pay any tax or other governmental charge required to be paid with respect to a transfer. A new Bond or Bonds of like aggregate principal amount and maturity shall be delivered in exchange for any Bond or Bonds thus surrendered. The Trustee may decline to make such transfers or exchanges (i) during the period selected by the Trustee for the selection of Bonds for redemption or (ii) with respect to any Bond which has been selected for redemption.

The Trustee

Zions First National Bank has been appointed as the Trustee for the Bonds under the Authority Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust” hereto for a further description of the rights and obligations of the Trustee under the Authority Indenture.

Book-Entry and DTC

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F – “Book-Entry-Only Provisions.”

Estimated Debt Service Schedule

The following table presents the debt service schedule for the Bonds, assuming no redemptions are made:

Table 1
Poway Unified School District Public Financing Authority
2007 Revenue Bonds
Annual Debt Service Schedule

Year Ending (September 15)	Principal	Interest	Total
2007	–	\$765,962.15	\$765,962.15
2008	\$110,000	3,244,075.00	3,354,075.00
2009	185,000	3,239,675.00	3,424,675.00
2010	260,000	3,232,275.00	3,492,275.00
2011	340,000	3,221,875.00	3,561,875.00
2012	425,000	3,208,275.00	3,633,275.00
2013	515,000	3,191,275.00	3,706,275.00
2014	610,000	3,170,675.00	3,780,675.00
2015	710,000	3,146,275.00	3,856,275.00
2016	815,000	3,116,100.00	3,931,100.00
2017	930,000	3,081,462.50	4,011,462.50
2018	1,050,000	3,044,262.50	4,094,262.50
2019	1,170,000	3,002,262.50	4,172,262.50
2020	1,315,000	2,943,762.50	4,258,762.50
2021	1,465,000	2,878,012.50	4,343,012.50
2022	1,625,000	2,804,762.50	4,429,762.50
2023	1,780,000	2,723,512.50	4,503,512.50
2024	1,940,000	2,634,512.50	4,574,512.50
2025	2,115,000	2,537,512.50	4,652,512.50
2026	2,290,000	2,442,337.50	4,732,337.50
2027	2,470,000	2,339,287.50	4,809,287.50
2028	2,660,000	2,228,137.50	4,888,137.50
2029	4,040,000	2,108,437.50	6,148,437.50
2030	4,350,000	1,906,437.50	6,256,437.50
2031	4,680,000	1,688,937.50	6,368,937.50
2032	5,025,000	1,454,937.50	6,479,937.50
2033	3,245,000	1,228,812.50	4,473,812.50
2034	3,465,000	1,082,787.50	4,547,787.50
2035	3,695,000	926,862.50	4,621,862.50
2036	3,940,000	760,587.50	4,700,587.50
2037	4,195,000	583,287.50	4,778,287.50
2038	4,460,000	394,512.50	4,854,512.50
2039	1,270,000	188,237.50	1,458,237.50
2040	1,340,000	129,500.00	1,469,500.00
2041	715,000	67,525.00	782,525.00
2042	745,000	34,456.26	779,456.26
Total	\$69,945,000	\$74,751,605.91	\$144,696,605.91

SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are secured by the Revenues of the Authority and by any other amounts held in any fund or account established pursuant to the Authority Indenture, other than the Program Fund, the Authority School Facilities Fund or the Rebate Fund. Revenues will be obtained primarily from all payments received by the Authority pursuant to the Special Tax Bonds and all investment income with respect to moneys held by the Trustee in the funds and accounts established under the Authority Indenture with respect to the Bonds, other than the Program Fund, the Authority School Facilities Fund and the Rebate Fund.

The Special Tax Bonds are secured by a pledge of and lien on the Special Taxes of each District, all as further described herein.

Each series of the Special Tax Bonds are independent obligations and the security for one obligation does not constitute security for the other. The payments due on each of the Special Tax Bonds are scheduled to be sufficient, in the aggregate, to pay the principal of, premium, if any, and interest on, the Bonds, as they become due. A default in the payment of any Series of Special Tax Bonds may result in insufficient Revenues with which to pay the principal of and interest on the Bonds when due. The CFD No. 2 Special Tax Bonds are subordinate to the 2003 CFD No. 2 Bonds.

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Ambac Assurance. See "BOND INSURANCE" herein and APPENDIX G hereto. Pursuant to the Authority Indenture, Ambac Assurance will be deemed to be the sole owner of the Bonds and the Special Tax Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Bonds or the Special Tax Bonds are entitled to take pursuant to the Authority Indenture or the District Bond Indentures.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED THEREFOR IN THE AUTHORITY INDENTURE, FROM AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS UNDER THE AUTHORITY INDENTURE OTHER THAN THE PROGRAM FUND, THE AUTHORITY SCHOOL FACILITIES FUND AND THE REBATE FUND AND MONEYS RECEIVED UNDER THE INSURANCE POLICY AND THE SURETY BOND. THE BONDS ARE NOT A DEBT OF THE DISTRICTS, THE SCHOOL DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AUTHORITY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICTS, THE SCHOOL DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISION IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER. NEITHER THE DISTRICTS, THE SCHOOL DISTRICT, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE FOR THE PAYMENT OF THE BONDS.

OWNERSHIP OF THE BONDS IS SUBJECT TO RISK. POTENTIAL INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "BONDOWNERS' RISKS."

Revenue Fund

Flow of Funds. Subject only to the provisions of the Authority Indenture permitting the application thereof for the purposes and or terms and conditions set forth herein. All of the Revenues, and any other amounts held in any fund or account established pursuant to the Authority Indenture, (excluding funds held in the Program Fund (including the Costs of Issuance Account therein), the Authority School Facilities Fund and the Rebate Fund), have been pledged by the Authority to secure the full and timely payment of the principal of and interest and premium, if any, of the Bonds in accordance with their terms and the provisions of the Authority Indenture. The Authority is to collect and receive, or cause to be collected and received by the Trustee, all such Revenues, and Revenues collected or received by the Authority, or collected and received by the Trustee on behalf of the Authority, shall be deemed to be held, and to have been collected or received, by the Authority, in trust, and shall be paid to the Trustee as set forth in the Authority Indenture. All Revenues, other than Principal Repayment (which shall be directly deposited to the Redemption Account), shall be promptly transferred to the Trustee by the Authority and deposited by the Trustee upon receipt thereof in the Revenue Fund established under the Authority Indenture which the Trustee shall maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Authority Indenture.

The Authority shall establish with the Trustee a special fund designated the “Bond Fund” which the Trustee shall maintain and hold in trust. Within the Bond Fund, the Trustee shall establish special accounts designated as the “Principal Account,” the “Interest Account” and the “Redemption Account.” Such fund and accounts shall be held and maintained as separate and distinct funds and accounts. On each Interest Payment Date, the Trustee shall transfer Revenues then in the Revenue Fund into the following funds and accounts the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required transfer) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

- (a) The Trustee shall transfer in the Interest Account, if necessary, an amount which, together with the amounts then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on the Bonds on such Interest Payment Date and any amounts of interest previously due and unpaid.
- (b) The Trustee shall, on September 15 of each year during the term of the Bonds, transfer to the Principal Account, if necessary, an amount which together with the amounts then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal and/or mandatory sinking account payment coming due and payable on the Bonds on such September 15 and any amount of principal previously due and unpaid.
- (c) On each Interest Payment Date on which the balance in the Reserve Fund is less than the Reserve Requirement, the Trustee shall transfer to the Reserve Fund an amount sufficient to increase the balance in the Reserve Fund to the Reserve Requirement.
- (d) On any Interest Payment Date the amount on deposit in the Revenue Fund is inadequate to make the transfers described in (a) and (b) above as a result of a default in the scheduled payment of principal of and/or interest on a Special Tax Bond, the Trustee shall immediately notify the Deputy Superintendent and Ambac Assurance of the amount of such payment default. In the event that the Trustee receives all or any portion of the principal of and/or interest on the Special Tax Bond the payment of which is in default,

the Trustee shall disburse or transfer such funds in the following order of priority: (i) to pay, on a pro rata basis, to the Insurer any outstanding Guaranty Agreement Reimbursements and any amounts due under any Qualified Reserve Fund Investment resulting from such payment; (ii) for deposit in the Reserve Fund such amount as shall be necessary to replenish the amount of any transfers of cash from the Reserve Fund to the Interest Account or the Principal Account resulting from such payment default and (iii) for deposit in the Revenue Fund any amount remaining following the transfer required pursuant to (i) and (ii).

- (e) The Trustee shall transfer into the Rebate Fund an amount, if any, to increase the amount on deposit in the Rebate Fund to the Rebate Requirement as the Authority may direct by Written Certificate.
- (f) The Trustee shall transfer in the Authority Administrative Expense Fund such amount as the Authority may direct by Written Certificate as necessary to pay Authority Administrative Costs.
- (g) On the Business Day following each Principal Payment Date the Trustee shall transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund. Moneys transferred to the Trustee from the Fiscal Agent pursuant to the CFD Bond Indentures representing Residual Special Tax Revenues shall also be deposited into the Surplus Fund. See “Surplus Fund” below.

Costs of Issuance. Moneys in the Costs of Issuance Account in the Program Fund will be disbursed to pay costs of issuance of the Bonds and the Special Tax Bonds. Any amounts remaining in the Costs of Issuance Account upon the earlier of (i) payment in full of costs of issuance or (ii) six months after issuance of the Bonds will be transferred to the Authority School Facilities Fund.

Authority Rebate Fund. The Authority is required to calculate “Excess Investment Earnings” in accordance with the requirements set forth in the Authority Indenture. The Authority shall calculate and deposit the same into the Authority Rebate Fund to the extent funds are available from any revenues which are legally available for such purpose. The Trustee is then required to use such amounts to make any required rebate payments to the United States Treasury which are necessary for the Authority to comply with the requirements of Section 148(f) of the Code. Moneys in the Authority Rebate Fund are not pledged to the payment of the Bonds.

Reserve Fund

The Authority Indenture provides that a Reserve Fund must be maintained in an amount equal to the Reserve Requirement. The Authority Indenture provides that the Reserve Requirement means, as of the date of calculation, an amount equal to 5% of the initial principal amount of the Bonds. Initially, the Reserve Requirement is equal to \$3,497,250.

On the Closing Date there shall be deposited in the Reserve Fund proceeds of the Bonds representing 50% of the Reserve Requirement as of such date and the Surety Bond in an amount representing 50% of the Reserve Requirement as of such date which together aggregate to the Reserve Requirement. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust – Reserve Fund.” The Authority Indenture authorizes the Authority to obtain a Surety Bond in place of fully funding the Reserve Fund. Accordingly, application has been made to Ambac Assurance for the issuance of a Surety Bond for the purpose of funding a portion of the

Reserve Fund. The Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds.

The relevant District is required to pay the Authority the principal amount of any draws under the Surety Bond and to pay all related reasonable expenses incurred by the Authority. Provisions of the Authority Indenture regarding the Surety Bond are set forth in APPENDIX C hereto.

Moneys in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund to pay the principal of, including mandatory sinking payments, and interest the Bonds when due, in the event that moneys in the Bond Fund are insufficient therefor or (ii) to the defeasance of the Bonds. In addition, cash amounts, if any, in the Reserve Fund may be applied in connection with an optional redemption or a special mandatory redemption or a defeasance of the Bonds in whole or in part, or when the balance therein equals the principal and interest due on the Bonds to and including maturity, or to pay the principal of and interest due on the Bonds to maturity.

Debt Service Reserve Fund; Ambac Assurance Surety Bond

The Authority Indenture requires the establishment of the Reserve Fund in an amount equal to \$3,497,250. The Authority Indenture authorizes the Obligor (as defined in the Financial Guaranty Insurance Policy) to obtain a Surety Bond in place of fully funding the Reserve Fund. Accordingly, application has been made to Ambac Assurance Corporation (“Ambac Assurance”) for the issuance of a Surety Bond for the purpose of funding one half of the Reserve Fund (see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS” herein). The Bonds will only be delivered upon the issuance of such Surety Bond and the funding of the balance of the Reserve Requirement with proceeds of the Bonds. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on the Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the Obligor is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Obligor is subordinate to the Obligor’s obligations with respect to the Bonds.

In the event the amount on deposit, or credited to the Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the “Qualified Reserve Fund Credit Instrument”), draws on the Surety Bond and the Qualified Reserve Fund Credit Instrument shall be made on a pro rata basis to fund the insufficiency. The Authority Indenture provides that the Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on the Qualified Reserve Fund Credit Instrument shall be paid from first available Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level,

after taking into account the amounts available under the Surety Bond and the Qualified Reserve Fund Credit Instrument, shall be deposited from next available Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Surety Bond would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Surplus Fund

Following the deposits pursuant to the Authority Indenture described above, moneys remaining in the Revenue Fund on the Business Day following each Principal Payment Date shall be deposited by the Trustee into the Surplus Fund. Moneys transferred to the Trustee from the Fiscal Agent pursuant to the District Bond Indentures representing Residual Special Tax Revenues shall also be deposited in the Surplus Fund.

Moneys deposited in the Surplus Fund may be used at any time for one or more of the following purposes and shall be transferred by the Trustee as follows:

- (a) to the Interest Account or the Principal Account of the Bond Fund to pay the principal of, including mandatory sinking fund payments, premium, if any, and interest on the Bonds when due in the event that moneys in the Revenue Fund are insufficient to make any deposits to such Accounts required pursuant to the Authority Indenture;
- (b) to the Reserve Fund in order to replenish the Reserve Fund to the Reserve Requirement in the event that the moneys in the Revenue Fund are insufficient to make any deposit required to the Reserve Fund pursuant to the Authority Indenture;
- (c) to the Rebate Fund as the Authority may direct by Written Certificate to increase the amount on deposit therein to the Rebate Requirement if the moneys in the Revenue Fund are insufficient to make any deposit required pursuant to the Authority Indenture; and
- (d) on September 15 of any bond year following the scheduled payment of principal of any interest on the Bonds due and payable during such Bond Year, to the Administrative Expense Fund as the Authority may direct by Written Certificate if the moneys in the Revenue Fund are insufficient to make any deposit required pursuant to the Authority Indenture.

Moneys transferred to the Surplus Fund on September 15th of any Bond Year from the Revenue Fund pursuant to the Authority Indenture or moneys representing Residual Special Tax Revenues transferred to Trustee for deposit in the Surplus Fund on September 2 of any prior Bond Year (collectively, such moneys shall be referred to as an “Annual Retained Surplus”) shall be retained in the Surplus Fund until March 16th of such Bond Year (the “Annual Retention Period”) and shall be used for the purposes described in the preceding paragraph. Annual Retained Surplus remaining on deposit in the Surplus Fund on March 16th of such Bond Year shall no longer be designated as either Annual Retained Surplus or Revenues, shall no longer be pledged to the payment of the Bonds and, upon the receipt of a Written Request of the Authority, shall be transferred to the School District on behalf of the Districts and used only for authorized purposes of the Districts.

Ownership of Special Tax Bonds

Notwithstanding anything in this Authority Indenture to the contrary, following prior notice to each Rating Agency, the Authority may cause the Trustee to sell, from time to time, all or a portion of the Special Tax Bonds (as shall be designated by the Authority at the time) and use the proceeds of such sale to purchase or redeem Outstanding Bonds, *provided* that the Authority shall deliver to the Trustee:

- (1) a certificate from an Independent Accountant or Independent Financial Consultant to the effect that, following the disposition of such Special Tax Bond(s), the Revenues to be paid to the Trustee (assuming the timely payment of the amounts due thereon with regard to any Special Tax Bonds not then in default), together with interest and principal due on any Federal Securities pledged to the repayment of the Bonds or the Revenues then on deposit in the Funds and Accounts established thereunder (valuing any Permitted Investments held thereunder at the fair market value thereof), will be sufficient to pay the principal of and interest on the Bonds when due;
- (2) a certificate of Ambac Assurance consenting to the sale of such Special Tax Bond(s); and
- (3) an opinion of Bond Counsel to the effect that such sale of the Special Tax Bond(s) is authorized under the provisions of the Authority Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of State or federal income taxation.

Upon compliance with the foregoing conditions, the Trustee shall sell such designated Special Tax Bonds in accordance with the written request of the Authority and disburse the proceeds of such sale at the direction of the Authority to be applied to the redemption, purchase or defeasance of Bonds or upon the request of the Authority shall deposit such proceeds in the Revenue Fund or Redemption Fund to be applied to the redemption, purchase or defeasance of Bonds, as appropriate.

The Special Tax Bonds

General. The Special Tax Bonds and the interest thereon are secured and payable primarily from the Special Taxes to be levied and collected on all the real property within each District subject to the Special Taxes, including certain net proceeds, if any, of any foreclosure actions brought following a delinquency in the payment of the Special Tax, less the Administrative Expense Requirement (“Net Special Tax Revenues”), and amounts held in certain funds pursuant to the applicable District Bond Indenture. *The CFD No. 2 Special Tax Bonds are subordinate to the 2003 CFD No. 2 Bonds.*

The amount of Special Taxes that a District may levy in the boundaries of each District in any year is strictly limited by the maximum rates approved by the qualified electors within the District at the time of formation of the District. Each District is legally authorized under the Act, and has covenanted in the applicable District Bond Indenture, to annually cause the levy of the Special Taxes in an amount determined according to the applicable “Rate and Method of Apportionment of Special Tax.” See “Special Taxes” below. Each Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described herein. See “THE DISTRICTS – Rates and Methods of Apportionment of Special Tax” and APPENDIX B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX” hereto.

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, the Special Taxes of each District are exempt from the tax rate limitations of California Constitution Article XIII A pursuant to Section 4 thereof as “special tax” authorized by a two-thirds vote of the

qualified electors of each District. Consequently, each District has the power and is obligated to cause the levy and collection of the Special Taxes in an amount determined according to a methodology which the Board and the qualified electors in the District have approved. See “Special Taxes” below. However, Article XIIC of the California Constitution may allow the voters in each District (or perhaps in the School District), under certain conditions, to adopt an ordinance by initiative which would reduce or appeal the Special Taxes. See “BONDOWNERS’ RISKS – The Special Tax Bonds – *Right to Vote on Taxes*” and “BONDOWNERS’ RISKS – The Special Tax Bonds – *Ballot Initiatives and Legislative Measures.*” See “THE DISTRICTS – Rates and Methods of Apportionment of Special Tax.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SPECIAL TAX BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE SPECIAL TAX BONDS. THE SPECIAL TAX BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF EACH DISTRICT BUT ARE SPECIAL OBLIGATIONS OF EACH DISTRICT PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE DISTRICT BOND INDENTURES AS MORE FULLY DESCRIBED HEREIN.

Special Taxes. The levy of the Special Taxes was authorized by the landowners within the territory included in each District, as the then qualified electors of the District, at a special election held on the respective dates specified below. A notice of Special Taxes has been recorded on the dates specified below, each in the Official Records of the County as listed below.

District	Date of Special Election	Date of Notice of Special Tax Lien	Document No.
CFD No. 2	December 15, 1997 and July 27, 1998	December 23, 1997; Amended August 5, 1998	Document No. 1997-0653528; Document No. 1998-0490052
CFD No. 4	December 15, 1997 and November 13, 2000	December 23, 1997; Amended November 17, 2000	Document No. 1997-0653544; Document No. 2000-0627420
CFD No. 8 Imp. Area B	December 17, 1998	December 22, 1998	Document No. 1998-0840053
CFD No. 9	November 16, 1998	November 30, 1998	Document No. 1998-0770744
CFD No. 10	August 27, 2001	September 21, 2001	Document No. 2001-0681528
CFD No. 12	June 24, 2002	February 19, 2003	Document No. 2003-0184116

The Special Tax Bonds (except CFD No. 2) are secured by, among other things, a pledge of Net Special Tax Revenues. Net Special Tax Revenues include the scheduled payments for the Special Tax Bonds and any prepayments of Special Taxes received by each District (except CFD No. 2) and net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of Special Taxes less the Administrative Expense Requirement of the applicable District. Administrative Expenses include the cost of calculation and collection of the Special Taxes in each Fiscal Year and any other costs relating to the Special Tax Bonds and the Bonds, including the fees and costs of the Fiscal Agent and the Trustee.

The CFD No. 2 Special Tax Bonds are subordinate to the CFD No. 2 2003 Special Tax Bonds and as such are secured by, among other things, a pledge of Net Surplus Special Tax Revenues. Net Surplus Special Tax Revenues include the Special Taxes available after payment of the CFD No. 2 2003 Special Tax Bonds (any prepayments of Special Taxes received by CFD No. 2 will be applied first to prepayment of the CFD No. 2 2003 Special Tax Bonds) and net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of Special Taxes less the Administrative Expense

Requirement relating to the CFD No. 2 2003 Special Tax Bonds and Administrative Expense Requirement relating to the CFD No. 2 Special Tax Bonds. Administrative Expenses include the cost of calculation and collection of the Special Taxes in each Fiscal Year and any other costs relating to the CFD No. 2 2003 Special Tax Bonds or Special Tax Bonds, as applicable, and the Bonds, including the fees and costs of the Fiscal Agent and the Trustee.

Each District has covenanted in the applicable District Bond Indenture to levy the Special Taxes in each Fiscal Year that the applicable Series of Special Tax Bonds are outstanding. The Special Taxes are to be apportioned, levied and collected according to the applicable Rate and Method of Apportionment approved by the qualified electors of the District. The Special Taxes will be levied each year in accordance with the applicable Rate and Method of Apportionment, including amounts sufficient to cover debt service on the Special Tax Bonds, to pay Administrative Expenses and to pay costs with respect to the Surety Bond, if necessary. See “THE DISTRICTS – Rates and Methods of Apportionment of Special Tax.”

The levies of Special Taxes are subject to certain limitations. For example, certain properties are exempt from the Special Tax pursuant to law or the applicable Rate and Method of Apportionment for each District. See “BONDOWNERS’ RISKS – The Special Tax Bonds – *Exempt Properties*.” The annual levy of Special Taxes on each parcel within each District is constrained by the maximum Special Tax rate applicable to such parcel. See “THE DISTRICTS – Rates and Methods of Apportionment of Special Tax” and “BONDOWNERS’ RISKS – The Special Tax Bonds – *Maximum Rates*” herein.

The amount of the Special Taxes that can be levied and collected in future years will be dependent upon, among other factors, then existing development, the Special Tax rates imposed, and the level of delinquent Special Tax installments. See “BONDOWNERS’ RISKS” herein.

The Special Taxes imposed by each District are customarily billed with *ad valorem* property taxes and collected by the County. When received, such Special Taxes will be transferred by each District to the applicable Fiscal Agent and deposited by such Fiscal Agent in the Special Tax Fund of such District to be held first for the payment of Administrative Expenses up to the Administrative Expense Requirement, then for payment of debt service on such District’s issue of Special Tax Bonds and then to payment of any Administrative Expenses in excess of the Administrative Expense Requirement.

Although the Special Tax, when levied, will constitute a lien on parcels subject to taxation within each District, it does not constitute a personal indebtedness of the owners of property within the District. There is no assurance that the owners of real property in a District will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. See “BONDOWNERS’ RISKS” herein.

Special Tax Fund. Net Special Tax Revenues include all scheduled payments and prepaid Special Taxes received by each District and the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of Special Taxes. As received, the Net Special Tax Revenues will be deposited in the applicable Special Tax Fund held by the Fiscal Agent.

Not later than 10 days after a District’s receipt of Special Taxes and in any event not later than February 15 and August 15 of each year, the District shall transfer them to the Fiscal Agent for deposit into the Special Tax Fund and from the Special Tax Fund the Fiscal Agent shall transfer the amounts not to exceed the applicable Administrative Expense Requirement received first to the Administrative Expense Fund, next to the Interest Account of the Bond Service Fund an amount such that the balance in the Interest Account on each Interest Payment Date and date for redemption of Special Tax Bonds equals the amount of interest due or becoming due on such Interest Payment Date or to be paid on the Special

Tax Bonds being redeemed on such date, next, to the Principal Account of the Bond Service Fund, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Special Tax Bonds coming payable on such Interest Payment Date, next to the Authority Trustee the amount, if any, necessary to make up any existing deficiency in the payment of the scheduled payment of interest on or principal of the Special Tax Bonds, together with written notification to the Authority Trustee that such amounts represents the payment of such deficiency. On September 2 of each year after making the deposits and transfers required above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Authority Trustee that amount necessary to pay any Guaranty Agreement Reimbursements then due and owing by the District pursuant to the Funding Agreement. Any such transfer shall be accompanied by written notice to the Authority Trustee that the amount transferred is to be utilized to pay Guaranty Agreement Reimbursements pursuant to the Authority Indenture. On or after September 2 of each year after making the deposits and transfers described above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Authority Trustee the District's proportionate share of any Excess Rebate Obligation that is or will be due and payable during the Bond Year commencing on such September 2. On or after September 2 of each year after making the deposits and transfers required under the foregoing, the Fiscal Agent will transfer from the Special Tax Fund to the Administrative Expense Fund and to the Authority Administrative Expense Fund in the priority set forth in the District Bond Indenture the amounts specified in such request to pay Administrative Expenses which the District and the Authority reasonably determine will become due and payable during such Bond Year.

To the extent that there are prepaid Special Taxes, each District shall determine the portion attributable to the Special Tax Bonds and such amounts shall be used to redeem the applicable Special Tax Bonds. Any Special Taxes remaining after the above transfers shall be held by the Fiscal Agent in the Special Tax Fund until the end of the applicable bond year. If an Authorized Representative provides written notice to the Fiscal Agent that all or some portion of moneys in the Special Tax Fund constitute Surplus Special Tax Revenues, the Fiscal Agent shall transfer the amount constituting Surplus Special Tax Revenues to the Surplus Fund. Moneys in a Surplus Fund may be disbursed to pay School Facilities Costs or to pay the principal of or interest on any other bonded indebtedness of a District incurred to finance the acquisition or construction of School Facilities.

Administrative Expense Fund. The Fiscal Agent will receive the transfer of Special Taxes from each District from the Special Tax Fund and deposit in the Administrative Expense Fund an amount equal to the Administrative Expense Requirement (i.e. that amount specified by the District as necessary to meet Administrative Expenses until collection of Special Taxes in the next Fiscal Year). Such amounts include a proportionate share of the Authority's administrative expenses relating to the Bonds.

Pursuant to the District Bond Indentures, moneys in an Administrative Expense Fund will not be construed as a trust fund held for the benefit of the Authority as the Owners of the Special Tax Bonds and will not be available for the payment of debt service on the Special Tax Bonds.

The initial annual Administrative Expense Requirement for Fiscal Year 2007-08 under each District Bond Indenture is as follows:

	Special Tax Bonds	Initial Annual Administrative Expense Requirement
1	Community Facilities District No. 2 (Subarea IV – Torrey Highlands) of the Poway Unified School District 2007 Special Tax Bonds	\$60,000
2	Community Facilities District No. 4 of the Poway Unified School District 2007 Special Tax Bonds	\$68,921
3	Community Facilities District No. 8 of the Poway Unified School District 2007 Improvement Area B Special Tax Bonds	\$35,853
4	Community Facilities District No. 9 of the Poway Unified School District 2007 Special Tax Bonds	\$29,877
5	Community Facilities District No. 10 of the Poway Unified School District 2007 Special Tax Bonds	\$28,154
6	Community Facilities District No. 12 of the Poway Unified School District 2007 Special Tax Bonds	\$39,416

Under most District Bond Indentures, the Administrative Expense Requirement may increase by 2% of the Administrative Expense Requirement in effect for the preceding fiscal year, except for CFD No. 2 which does not escalate and CFD No. 4 which only escalates for 15 years after the issuance of bonds.

Bond Fund. The principal of and interest due on the Special Tax Bonds until maturity, including mandatory sinking fund redemption but excluding other redemptions of Special Tax Bonds, shall be paid by the Fiscal Agent from the Principal Account and the Interest Account of the Bond Service Fund, respectively. For the purpose of assuring that the payment of principal and interest on the Special Tax Bonds will be made when due, after making the transfer to the Administrative Expense Fund, on each March 1 and September 1, commencing September 1, 2007, the Fiscal Agent will transfer amounts to pay interest and principal of the Special Tax Bonds from the applicable Special Tax Fund first to the Interest Account and then to the Principal Account.

Redemption Fund. The Fiscal Agent shall upon receipt of Special Tax Revenues representing Prepayments together with written instructions of the District executed by an Authorized Representative, immediately transfer such Prepayment in the Interest Account of the Bond Service Fund and the Redemption Fund, as applicable, and utilize such funds to pay the interest and premium, if any, on and principal of Special Tax Bonds to be redeemed pursuant to the Bond Indenture. Following the redemption of any Bonds, if any funds remain in the Redemption Fund, such funds shall be transferred to the Special Tax Fund. Proceeds from the redemption of Special Tax Bonds will be used by the Authority to redeem the Bonds. See “THE BONDS – Redemption.”

School Facilities Fund. All of the CFDs will transfer a portion of the proceeds of their respective Special Tax Bonds to the Authority to be deposited in the Authority School Facilities Fund to be used to pay School Facilities Costs. All investment earnings on amounts in the Authority School Facilities Fund (other than excess investment earnings) will be retained therein and applied exclusively to pay the Project Costs.

Surplus Fund. The Fiscal Agent shall from time to time, disburse moneys from the Surplus Fund to pay School Facilities Costs or to pay the principal of or interest on any other bonded indebtedness of a District incurred to finance the acquisition or construction of School Facilities. After the final payment or

reimbursement of all School Facilities Costs as certified by an Authorized Representative to the Fiscal Agent, the Fiscal Agent shall transfer excess moneys, if any, on deposit in, or subsequently deposited in, the Surplus Fund to the Special Tax Fund and the Fiscal Agent shall apply the amounts so transferred in accordance with the District Bond Indenture.

District Payment to Authority Rebate Fund. On or after September 2 of each year, the Fiscal Agent will transfer from the Special Tax Fund to the Authority Trustee each District's proportionate share of the Excess Authority Rebate Liability that is or will be due and payable during the Bond Year commencing on such September 2.

Covenant for Superior Court Foreclosure

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax, each District may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory.

Under each Bond Indenture, on or before June 1 of each Fiscal Year, each District will review the public records of the County, to determine the amount of Special Taxes actually collected in such Fiscal Year and proceed as follows:

Individual Delinquencies. If each District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of the Special Taxes in the aggregate amount of \$5,000 or more or (ii) any single parcel or parcels under common ownership subject to the Special Taxes is delinquent in the payment of the Special Taxes in the aggregate of \$10,000 or more, each District shall, not later than 45 days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. Each District shall cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 90 days of such determination against any parcel for which a notice of delinquency was given and for which the Special Taxes remain delinquent.

Aggregate Delinquencies. If each District determines that it has collected less than 95% of the Special Taxes levied in such Fiscal Year, then each District shall, not later than 45 days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). Each District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 90 days of such determination against any parcel for which a notice of delinquency was given and for which the Special Taxes remain delinquent.

It should be noted that any foreclosure proceedings commenced as described above could be stayed by the commencement of bankruptcy proceedings by or against the owner of the delinquent property. See "BONDOWNERS' RISKS – Bankruptcy and Foreclosure Delay."

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. See "BONDOWNERS' RISKS – The Special Tax Bonds – *Bankruptcy and Foreclosure Delay.*" If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the applicable District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy and 20 days from the subsequent notice of sale in which to redeem the property to be sold. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such action, a foreclosure

sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made. The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price unless a lesser minimum bid price is authorized by the Owners of 75% of the principal amount of Special Tax Bonds Outstanding.

No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the School District or the Districts to purchase or otherwise acquire any lot or parcel of property offered for sale or subject to foreclosure if there is no other purchaser at such sale. The Act does specify that the Special Tax will have the same lien priority in the case of delinquency as for *ad valorem* property taxes.

If delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Authority on the applicable Series of Special Tax Bonds, which default or delay may result in a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the applicable District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method of Apportionment and the Act, each District may adjust the Special Taxes levied on all property within the District in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the Special Tax Bonds and to pay costs relating to a draw on the Surety Bond. There is, however, no assurance that the maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the Special Tax Bonds by the applicable District Bond Indenture.

No Direct Cross-Collateralization Among Special Tax Bonds

The Special Taxes levied to pay debt service on one series of Special Tax Bonds are not available to pay debt service on any other series of Special Tax Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds – No Direct Cross-Collateralization Among Special Tax Bonds” and “BONDOWNERS’ RISKS.”

However, it is currently anticipated that annual Net Special Tax Revenues (or Surplus Net Special Tax Revenues with respect to CFD No. 2) available for debt service on the Special Tax Bonds will exceed the debt service on the Special Tax Bonds. Any excess will be transferred as follows: (i) to the Authority Trustee in an amount, if any, necessary to restore the Authority Reserve Fund to the Authority Reserve Requirement, to the extent that any draw on the Authority Reserve Fund was attributable to a deficiency in the amount of debt service receive by the Authority on the applicable Special Tax Bonds; (ii) to the Authority Trustee the District’s Proportionate Share of any Excess Authority Rebate Obligation; (iii) to the District Trustee for District Administrative Expenses; (iv) to the Authority Trustee for the District’s proportionate share of the Authority Administrative Expenses; and (v) to the Authority Trustee for deposit to the Authority Surplus Fund. See ‘SOURCES OF PAYMENT FOR THE BONDS – Surplus Fund’ and “THE BONDS – Estimated Debt Service Schedule.”

Authorized Investments

Funds and accounts established under the Authority Indenture and each District Bond Indenture are held by the Trustee or Fiscal Agent, as applicable. Moneys in any of the funds and accounts shall be invested at the direction of the Authority or the applicable District in Permitted Investments (as applicable) which shall be deemed at all times to be a part of such funds and accounts. See

APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS” for a list of Permitted Investments.

Any income realized or loss resulting from such Permitted Investments shall be credited or charged to the fund from which such investment was made.

Additional Special Tax Bonds

Subject to the satisfaction of the specific conditions set forth in the applicable District Bond Indenture, each District may at any time after the issuance and delivery of the Special Tax Bonds issue Parity Bonds (as defined in the applicable District Bond Indenture) payable from Net Special Tax Revenues and other amounts deposited in the funds and accounts created under the applicable Supplemental Indenture (other than in the Administrative Expense Fund and any rebate fund that may be established for any Series of Parity Bonds) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the applicable District Bond Indenture or under any Supplemental Indenture; *provided, however*, that Parity Bonds may only be used for the purpose of financing additional authorized School Facilities Costs or refunding all or a portion of the Bonds or any Parity Bonds then Outstanding.

The issuance of any Series of Parity Bonds shall be subject to the certain additional specific conditions, which are conditions precedent to the issuance of such Parity Bonds, including, the following:

1. The aggregate principal amount of the applicable Special Tax Bonds and all Parity Bonds issued may not exceed the authorized aggregate principal amount of special tax Bonds of the applicable District; *provided, however*, that, notwithstanding the foregoing, Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all Outstanding Bonds.
2. The District shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Fiscal Agent; *provided, however*, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.
3. The District has received a certificate from one or more Independent Financial Consultants which, when taken together, certify that:
 - (i) the amount of the maximum Special Taxes that may be levied pursuant to the applicable Rate and Method in each remaining Bond Year based only on the Developed Property (as such term is defined in the applicable Rate and Method) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Bonds theretofore issued and the Parity Bonds proposed to be issued; *provided* that, for purposes of making the certifications required by the applicable District Bond Indenture, the Independent Financial Consultant may rely on reports or certificates of such other persons as may be acceptable to the District, Bond Counsel and the underwriter of the proposed Parity Bonds; and

- (ii) the aggregate assessed value of all Developed Property within the District is not less than four (4) times the aggregate amount of Land Secured Debt allocable to such Developed Property.

No Acceleration

The principal of the Bonds will not be subject to acceleration under the provisions of the Authority Indenture. The principal of the Special Tax Bonds will not be subject to acceleration under the provisions of the District Bond Indentures.

Sale of Special Tax Bonds

Upon satisfaction of certain conditions set forth in the Authority Indenture, the Trustee, at the direction of the Authority may sell, from time to time, all or a portion of an issue of Special Tax Bonds and the proceeds of the sale of such Special Tax Bonds shall be disbursed to the Authority or, upon the request of the Authority, deposited in the Revenue Fund. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust – Covenants of the Authority – Sale of Special Tax Bonds.”

Estimated Scheduled Special Tax Bonds Debt Service

The following tables illustrate the estimated scheduled Special Tax Bonds debt service and the coverage for the debt service on the Bonds. Estimated coverage is based on receipt by the Authority of scheduled payments of principal of and interest on the Special Tax Bonds as well as Annual Retained Surplus (as defined in the Authority Indenture) for each year, net of the applicable Administrative Expense Requirement. In the event of delinquencies in Special Tax payments received by any of the Districts, the estimated coverage ratios will not be achieved. See the tables entitled “Special Tax Delinquencies” under “THE DISTRICTS – Special Tax Delinquency” herein for information of historical Special Tax delinquencies in the Districts.

Table 2
Poway Unified School District Public Financing Authority
Scheduled Annual Debt Service on Special Tax Bonds

Period Ending (September 1)	CFD No. 2	CFD No. 4	CFD No. 8 IA B	CFD No. 9	CFD No. 10	CFD No. 12	Aggregate Debt Service ⁽¹⁾
2007	\$0.00	\$113,495.87	\$69,381.20	\$16,197.47	\$361,910.67	\$0.00	\$560,985.21
2008	0.00	593,472.00	416,792.00	97,128.00	1,884,040.00	366,504.12	3,357,936.12
2009	0.00	605,608.00	425,672.00	99,408.00	1,921,688.00	373,855.98	3,426,231.98
2010	0.00	617,120.00	433,976.00	101,544.00	1,960,416.00	381,299.34	3,494,355.34
2011	0.00	630,008.00	442,704.00	103,536.00	2,000,080.00	388,826.65	3,565,154.65
2012	0.00	642,176.00	451,808.00	105,384.00	2,039,536.00	396,722.37	3,635,626.37
2013	0.00	655,624.00	460,240.00	107,088.00	2,080,688.00	404,460.45	3,708,100.45
2014	0.00	668,256.00	470,000.00	109,648.00	2,122,344.00	412,593.11	3,782,841.11
2015	0.00	682,072.00	478,992.00	112,016.00	2,164,360.00	420,862.54	3,858,302.54
2016	0.00	694,976.00	489,216.00	114,192.00	2,207,592.00	429,275.70	3,935,251.70
2017	0.00	708,968.00	498,576.00	116,176.00	2,251,848.00	437,844.71	4,013,412.71
2018	0.00	722,952.00	509,072.00	118,968.00	2,296,936.00	446,582.51	4,094,510.51
2019	0.00	737,880.00	518,608.00	120,520.00	2,342,664.00	455,501.28	4,175,173.28
2020	0.00	752,656.00	529,184.00	123,880.00	2,389,840.00	464,616.01	4,260,176.01
2021	0.00	767,232.00	539,704.00	125,952.00	2,437,224.00	473,942.35	4,344,054.35
2022	0.00	783,560.00	550,120.00	128,784.00	2,486,624.00	483,494.21	4,432,582.21
2023	0.00	783,496.00	561,384.00	131,328.00	2,535,752.00	493,306.32	4,505,266.32
2024	0.00	782,760.00	572,400.00	133,584.00	2,586,416.00	502,922.24	4,578,082.24
2025	0.00	783,352.00	584,120.00	136,552.00	2,638,328.00	513,277.20	4,655,629.20
2026	0.00	783,176.00	596,448.00	139,184.00	2,691,200.00	523,466.85	4,733,474.85
2027	0.00	783,232.00	608,288.00	141,480.00	2,744,744.00	533,957.10	4,811,701.10
2028	0.00	783,472.00	619,592.00	144,440.00	2,799,672.00	544,231.19	4,891,407.19
2029	1,177,785.93	782,848.00	632,312.00	148,016.00	2,856,648.00	555,422.75	6,153,032.68
2030	1,202,634.54	783,360.00	645,304.00	150,160.00	2,913,288.00	566,412.31	6,261,158.85
2031	1,228,059.81	782,912.00	658,472.00	153,920.00	2,971,304.00	577,812.48	6,372,480.29
2032	1,253,139.04	783,504.00	670,720.00	157,200.00	3,031,312.00	588,966.54	6,484,841.58
2033	0.00	783,040.00	0.00	0.00	3,091,880.00	601,274.40	4,476,194.40
2034	0.00	783,520.00	0.00	0.00	3,153,624.00	613,374.56	4,550,518.56
2035	0.00	782,848.00	0.00	0.00	3,217,112.00	625,251.23	4,625,211.23
2036	0.00	783,024.00	0.00	0.00	3,280,864.00	637,638.30	4,701,526.30
2037	0.00	782,952.00	0.00	0.00	3,346,448.00	650,600.84	4,780,000.84
2038	0.00	782,584.00	0.00	0.00	3,413,336.00	663,336.54	4,859,256.54
2039	0.00	782,872.00	0.00	0.00	0.00	676,711.41	1,459,583.41
2040	0.00	782,720.00	0.00	0.00	0.00	690,796.00	1,473,516.00
2041	0.00	783,080.00	0.00	0.00	0.00	0.00	783,080.00
2042	0.00	782,856.00	0.00	0.00	0.00	0.00	782,856.00
Total	\$4,861,619.32	\$26,037,663.87	\$13,433,085.20	\$3,136,285.47	\$80,219,718.67	\$16,895,139.59	\$144,583,512.12

⁽¹⁾ Interest is capitalized through September 1, 2007.

The table below shows the expected coverage that scheduled Special Tax Bonds debt service, plus estimated moneys in the respective Special Tax Fund which are to be transferred to the Authority Trustee for deposit in the Authority Surplus Fund, will provide with respect to the scheduled debt service on the Bonds, assuming there are no prepayments of any Special Tax Bonds or Bonds or delinquencies in the payment of Special Taxes. As set forth below, the expected debt service coverage on each series of Special Tax Bonds will be equal to 110%, based on (i) debt service on the Special Tax Bonds and (ii) Net Special Tax Revenues expected to be available in the related District on September 2 of each year (see “THE BONDS – Estimated Debt Service Schedule” and “SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds”).

Table 3
Poway Unified School District Public Financing Authority
Debt Service Coverage From Net Special Tax Revenues

Year Ending September 15	Net Special Tax Revenues ⁽¹⁾	CFD No. 2		Debt Service Coverage ⁽²⁾
		Outstanding Debt Service	Authority Bonds Debt Service ⁽²⁾	
2007	\$0.00	\$724,367.50	\$765,962.15	N/A
2008	4,531,517.39	740,267.50	3,354,075.00	110.68%
2009	4,623,347.73	754,642.50	3,424,675.00	110.62%
2010	4,717,014.69	772,292.50	3,492,275.00	110.61%
2011	4,812,554.98	789,192.50	3,561,875.00	110.61%
2012	4,910,006.07	803,867.50	3,633,275.00	110.66%
2013	5,009,406.20	822,667.50	3,706,275.00	110.61%
2014	5,110,794.32	840,067.50	3,780,675.00	110.61%
2015	5,214,210.21	855,817.50	3,856,275.00	110.66%
2016	5,319,694.43	874,930.00	3,931,100.00	110.69%
2017	5,427,288.31	892,130.00	4,011,462.50	110.68%
2018	5,537,034.09	912,330.00	4,094,262.50	110.59%
2019	5,648,974.77	935,230.00	4,172,262.50	110.60%
2020	5,763,154.26	950,935.00	4,258,762.50	110.62%
2021	5,879,617.36	974,466.26	4,343,012.50	110.57%
2022	5,998,409.70	994,991.26	4,429,762.50	110.57%
2023	6,102,338.15	1,012,561.26	4,503,512.50	110.63%
2024	6,208,345.16	1,037,642.50	4,574,512.50	110.62%
2025	6,316,472.30	1,059,337.50	4,652,512.50	110.59%
2026	6,426,761.98	1,078,212.50	4,732,337.50	110.61%
2027	6,539,257.47	1,103,800.00	4,809,287.50	110.59%
2028	6,654,002.88	1,126,062.50	4,888,137.50	110.64%
2029	6,771,043.18	—	6,148,437.50	110.13%
2030	6,890,424.29	—	6,256,437.50	110.13%
2031	7,012,193.03	—	6,368,937.50	110.10%
2032	7,136,397.16	—	6,479,937.50	110.13%
2033	4,924,934.45	—	4,473,812.50	110.08%
2034	5,006,193.39	—	4,547,787.50	110.08%
2035	5,089,077.51	—	4,621,862.50	110.11%
2036	5,173,619.30	—	4,700,587.50	110.06%
2037	5,259,851.94	—	4,778,287.50	110.08%
2038	5,347,809.23	—	4,854,512.50	110.16%
2039	1,606,988.24	—	1,458,237.50	110.20%
2040	1,621,888.25	—	1,469,500.00	110.37%
2041	861,987.75	—	782,525.00	110.15%
2042	<u>861,987.75</u>	<u>—</u>	<u>779,456.26</u>	110.59%
Total	\$180,314,597.92	\$20,055,811.28	\$144,696,605.91	

⁽¹⁾ Includes both combined debt service on all of the Special Tax Bonds and Annual Retained Surplus (as defined in the Authority Indenture) for each year, net of the Annual Administrative Expenses Cap and Prior Debt Service.

⁽²⁾ Interest on the Special Tax Bonds is capitalized through September 1, 2007, and through such payment, a portion of the interest due on the Bonds through September 15, 2007, will be paid, which together with capitalized interest on the Bonds, will pay interest on the Bonds through September 15, 2007.

The ability of a District to make annual debt service payments on its Special Tax Bonds is strengthened by its ability to levy Special Taxes up to its maximum rates in the event of delinquencies in such District. Generally, each District levies Special Taxes at the Assigned Special Tax rate on Developed Property (CFD No. 2 and CFD No. 9 provide for the levy at the Maximum Special Tax). In the event that delinquencies occur in the receipt of Special Taxes, in any fiscal year, a District may increase the Special Tax levy up to the maximum rates in the following fiscal years if determined necessary to cure any delinquencies on its Special Tax Bonds. There may be little or no difference between the Assigned Special Tax rate and the maximum rates where the property within a District is all categorized as Developed Property. Each District is only obligated to pay principal and interest on the Special Tax Bonds it issues. If one District does not receive Special Taxes in the requisite amount, the Special Tax rate may be escalated only in that District and not in the other Districts. Purchasers of the Bonds should not assume that maximum Special Taxes may be levied in all Districts at one time. Although the Special Tax levy may be increased where there is a difference between the Assigned Special Tax and the maximum Special Tax which may be levied, any such increase would not be available to cure any delinquencies for a period of one year or more. In addition, an increase in the Special Tax rates may affect the ability or willingness of property owners, to pay their Special Taxes. See “THE DISTRICTS – Rates and Methods of Apportionment of Special Tax” and APPENDIX B hereto for a description of each District’s procedures for increasing the amount of Special Tax and “BONDOWNERS’ RISKS – The Special Tax Bonds – *Insufficiency of Special Taxes.*” In each District, the Special Taxes are levied at the Assigned Special Tax rate, and there may be little or no increase on Special Tax rates.

Any increase in Special Taxes up to the maximum Special Tax by a District to cure delinquencies in such District is not available to cure delinquencies in the other Districts.

Non-Asset Bonds

The aggregate principal amount of the Special Tax Bonds is \$68,546,934.60 and the total principal amount of the Bonds is \$69,945,000.00. Scheduled payment of debt service on the Special Tax Bonds when due, together with Annual Retained Surplus, provides sufficient funds to the Authority to pay the principal of and interest on the Bonds when due. The redemption premium on the Special Tax Bonds is designed to generate Revenues to redeem a sufficient amount of Bonds so that debt service on the Special Tax Bonds after an early redemption is sufficient to provide the Authority with funds to pay the principal of and interest on the Bonds when due.

BOND INSURANCE

Payments Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to the Bonds, effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance. See APPENDIX G – “Specimen Financial Guaranty Insurance Policy” herein.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all Outstanding Bonds, Ambac Assurance will remain obligated to pay the principal of and interest on Outstanding Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Financial Guaranty Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Bond that has become Due for Payment and that is made to an Owner by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment (as set forth in the Financial Guaranty Insurance Policy). Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption), or as a result of any other advancement of maturity;
2. payment of any redemption, prepayment or acceleration premium; and
3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Owner entitlement to interest payments and an appropriate assignment of the Owner's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bonds, appurtenant coupon, if any, or right to payment of principal of or interest on such Bonds and will be fully subrogated to the surrendering Owner's rights to payment.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Financial Guaranty Insurance Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and licensed is to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$10,194,000,000 (unaudited) and statutory capital of approximately \$6,557,000,000 (unaudited) as of March 31, 2007. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE" and APPENDIX G – "Specimen Financial Guaranty Insurance Policy."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices is One State Street Plaza, 19th Floor, New York, New York, 10004, and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and filed on March 1, 2007;
2. The Company's Current Report on Form 8-K dated and filed on April 25, 2007; and

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2007, and filed on May 10, 2007.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

THE DISTRICTS

General

The Act provides an alternative method of financing certain public capital facilities and services within defined boundaries. A community facilities district established pursuant to the Act is a legally constituted governmental entity. Upon approval by a two-thirds vote of qualified voters and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect taxes to repay such bonded indebtedness.

Pursuant to the Act, the Board acting on behalf of each District adopted a Resolution stating its intent to establish such District, to authorize the level of Special Taxes within the boundaries of the District (to pay principal of and interest on the Special Tax Bonds), to fund some of the facilities directly and to incur bonded indebtedness within the District.

Following public hearings conducted pursuant to the provisions of the Act, the Board adopted a resolution establishing each District and determining the necessity to incur bonded indebtedness to acquire and construct facilities within each District, and a resolution calling a special election to submit the levy of the Special Tax and incurring of the bonded indebtedness to the qualified voters of each District.

Under the Act, when less than twelve registered voters reside within the proposed boundaries of a community facilities district, each landowner of lands located within the boundaries of the proposed community facilities district is qualified to vote on the question of incurring such bonded indebtedness. A two-thirds favorable vote of the qualified voters voting on the question is necessary to authorize issuance of the bonds of a community facilities district.

CFD No. 2. On December 15, 1997, an election was held within CFD No. 2 in which the eligible voters, which were the owners of land included within the boundaries of CFD No. 2, approved by more than two-thirds vote the proposition authorizing the issuance of bonds in an aggregate principal amount not to exceed \$80,000,000 to finance the acquisition, construction and equipping of certain public school facilities to serve the area within CFD No. 2. On December 15, 1997, the Board declared the results of the election and established conditions precedent to the issuance of bonds of CFD No. 2. On November 17, 1997, the Board approved and authorized the execution of Subarea IV Torrey Highlands School Impact Mitigation Agreements, each by and between the School District and the various landowners. On July 27, 1998, the Board approved an amendment to a Mitigation Agreement. On January 12, 1998, the Board, acting as the Legislative Body of CFD No. 2, adopted Ordinance No. 98-4 authorizing the levy of Special Taxes in accordance with the rate and method of apportionment. On July 27, 1998, the Board approved and authorized the execution of an amendment to the Mitigation Agreements entered into with two of the landowners. On July 27, 1998, an election was held within an area annexing to CFD No. 2 in which the eligible voters of the area to be annexed, approved by more than two-thirds vote the proposition authorizing the annexation of such property to CFD No. 2 and authorizing the issuance of bonds. On July 15, 1998, the Board declared the results of the annexation election. A

Notice of Special Tax was recorded on December 23, 1997, as Document No. 1997-0653528 with respect to the initial properties included within CFD No. 2, which notice included the parcels subject to future annexation and a Notice of Special Tax was amended on August 5, 1998, as Document No. 1998-0490052.

CFD No. 2 previously issued \$12,635,000 aggregate principal amount of bonds on March 20, 2003, of which \$12,135,000 were outstanding as of February 1, 2007 (defined above as, the “2003 CFD No. 2 Bonds”). The CFD No. 2 Special Tax Bonds will be subordinate to the 2003 CFD No. 2 Bonds.

CFD No. 2 originally encompassed approximately 1,071 gross acres but owners of approximately 470 gross acres requested creation of Community Facilities District No. 10 to finance both school facilities and other public facilities, and the approximately 470 gross acres is no longer subject to the CFD No. 2 Special Tax, leaving approximately 601 gross acres (approximately 183.02 net acres) encompassing approximately 437 residential units. In addition, the owner of an approximately 122 unit apartment complex prepaid its Special Taxes and is no longer subject to the levy of Special Taxes.

Pursuant to Resolution No. 65-2007, adopted on April 10, 2007, the Board, acting as the Legislative Body of CFD No. 2, authorized the issuance and delivery of the CFD No. 2 Special Tax Bonds. The Special Tax Bonds are being issued and delivered pursuant to the provisions of the Act and a District Bond Indenture to finance public school facilities.

CFD No. 4. On December 15, 1997, an election was held within CFD No. 4 in which the eligible voters, which were the owners of land included within the boundaries of CFD No. 4, approved by more than two-thirds vote the proposition authorizing the issuance of bonds in an aggregate principal amount not to exceed \$32,000,000 to finance the acquisition, construction and equipping of certain public school facilities to serve the area within CFD No. 4. The School Impact Mitigation Agreement pertaining to CFD No. 4 by and between the School District and the landowners within CFD No. 4 was recorded on December 18, 1997. On December 15, 1997, the Board declared the results of the election and established conditions precedent to the issuance of bonds for CFD No. 4. On January 12, 1998, the Board, acting as the Legislative Body of CFD No. 4, adopted Ordinance No. 98-5 authorizing the levy of Special Taxes in accordance with the rate and method of apportionment. A Notice of Special Tax was recorded on December 23, 1997, as Document No. 1997-0653544. On November 13, 2000, an election was held in which the eligible voters, which were the owners of land included within the boundaries of CFD No. 4, approved by more than two-thirds vote the proposition amending and restating the rate and method. An Amended and Restated Notice of Special Tax Lien was recorded on November 17, 2000, as Document No. 2000-0627420.

Pursuant to Resolution No. 65-2007, adopted on April 10, 2007, the Board, acting as the Legislative Body of CFD No. 4, authorized the issuance and delivery of the CFD No. 4 Special Tax Bonds. The Special Tax Bonds are being issued and delivered pursuant to the provisions of the Act and a District Bond Indenture to finance public school facilities.

CFD No. 8. On December 17, 1998, an election was held within CFD No. 8 in which the eligible voters, which were the owners of land included within the boundaries of CFD No. 8, approved by more than two-thirds vote the proposition authorizing the issuance of bonds in an aggregate principal amount not to exceed \$20,000,000 for Improvement Area B of CFD No. 8 to finance the acquisition, construction and equipping of certain public school facilities to serve the area within CFD No. 8. The School Impact Mitigation Agreement pertaining to CFD No. 8 by and between the School District and the landowners within Improvement Area B of CFD No. 8 was recorded on October 20, 1998. On December 17, 1998, the Board declared the results of the election and established conditions precedent to the issuance of bonds for CFD No. 8. On December 17, 1998, the Board, acting as the Legislative Body

of CFD No. 8, adopted Ordinance No. 99-4 authorizing the levy of Special Taxes in accordance with the rate and method of apportionment. A Notice of Special Tax was recorded on December 22, 1998, as Document No. 1998-0840053.

Pursuant to Resolution No. 65-2007, adopted on April 10, 2007, the Board, acting as the Legislative Body of CFD No. 8, authorized the issuance and delivery of the Improvement Area B CFD No. 8 Special Tax Bonds. The Special Tax Bonds are being issued and delivered pursuant to the provisions of the Act and a District Bond Indenture to finance public school facilities.

CFD No. 9. On November 16, 1998, an election was held within CFD No. 9 in which the eligible voters, which were the owners of land included within the boundaries of CFD No. 9, approved by more than two-thirds vote the proposition authorizing the issuance of bonds in an aggregate principal amount not to exceed \$15,000,000 to finance the acquisition, construction and equipping of certain public school facilities to serve the area within CFD No. 9. The School Impact Mitigation Agreement pertaining to CFD No. 9 by and between the School District and the landowners within CFD No. 9 was recorded on October 20, 1998. On November 16, 1998, the Board declared the results of the election and established conditions precedent to the issuance of bonds for CFD No. 9. On December 16, 1998, the Board, acting as the Legislative Body of CFD No. 9, adopted Ordinance No. 99-02 authorizing the levy of Special Taxes in accordance with the rate and method of apportionment. A Notice of Special Tax was recorded on November 30, 1998, as Document No. 1998-0770744.

Pursuant to Resolution No. 65-2007, adopted on April 10, 2007, the Board, acting as the Legislative Body of CFD No. 9, authorized the issuance and delivery of the CFD No. 9 Special Tax Bonds. The Special Tax Bonds are being issued and delivered pursuant to the provisions of the Act and a District Bond Indenture to finance public school facilities.

CFD No. 10. On August 27, 2001 an election was held within CFD No. 10 in which the eligible voters, which were the owners of land included within the boundaries of CFD No. 10, approved by more than two-thirds vote the proposition authorizing the issuance of bonds in an aggregate principal amount not to exceed \$45,000,000 to finance the acquisition, construction and equipping of certain public school facilities to serve the area within CFD No. 10. The School Impact Mitigation Agreement pertaining to CFD No. 10 by and between the School District and the landowners within CFD No. 10 was approved on July 1, 1996, supplemented as of August 27, 2001, and amended as of October 21, 2002. On August 27, 2001, the Board declared the results of the election and established conditions precedent to the issuance of bonds of CFD No. 10. On September 24, 2001, the Board, acting as the Legislative Body of CFD No. 10, adopted Ordinance No. 2002-01 authorizing the levy of Special Taxes in accordance with the rate and method of apportionment. A Notice of Special Tax was recorded on September 21, 2001, as Document No. 2001-0681528.

Pursuant to Resolution No. 65-2007, adopted on April 10, 2007, the Board, acting as the Legislative Body for CFD No. 10, authorized the issuance and delivery of the CFD No. 10 Special Tax Bonds. The Special Tax Bonds are being issued and delivered pursuant to the provisions of the Act and a District Bond Indenture to finance public school facilities.

CFD No. 12. On June 24, 2002, an election was held within CFD No. 12 in which the eligible voters, which were the owners of land included within the boundaries of CFD No. 12, approved by more than two-thirds vote the proposition authorizing the issuance of bonds in an aggregate principal amount not to exceed \$18,000,000 to finance the acquisition, construction and equipping of certain public school facilities to serve the area within CFD No. 12. The School Impact Mitigation Agreement pertaining to CFD No. 12 by and between the School District and the landowners within CFD No. 12 was recorded on October 20, 1998. On June 24, 2002, the Board declared the results of the election and established

conditions precedent to the issuance of bonds for CFD No. 12. On June 24, 2002, the Board, acting as the Legislative Body of CFD No. 12, adopted Ordinance No. 2002-02 authorizing the levy of Special Taxes in accordance with the rate and method of apportionment. A Notice of Special Tax was recorded on February 19, 2003, as Document No. 2003-0184116.

Pursuant to Resolution No. 65-2007, adopted on April 10, 2007, the Board, acting as the Legislative Body of CFD No. 12, authorized the issuance and delivery of the CFD No. 12 Special Tax Bonds. The Special Tax Bonds are being issued and delivered pursuant to the provisions of the Act and a District Bond Indenture to finance public school facilities.

Formation and Authority for Issuance of Special Tax Bonds. Each District was formed, issued its original series of bonds, and has authorized the issuance of its respective series of Special Tax Bonds, as described in the following table:

Table 4
Poway Unified School District Public Financing Authority
Authorized and Issued District Special Tax Bonds and Parity Bonds

	Maximum Authorized District Bond Amount⁽¹⁾	Bonds Issued⁽¹⁾	2007 Special Tax Bonds Issued	Aggregate Principal Amount
CFD No. 2	\$80,000,000	\$12,635,000	\$1,598,847.12	\$14,233,847.12
CFD No. 4	32,000,000	–	11,989,000.00	11,989,000.00
CFD No. 8 (Imp. Area B)	20,000,000	–	7,329,000.00	7,329,000.00
CFD No. 9	15,000,000	–	1,711,000.00	1,711,000.00
CFD No. 10	45,000,000	–	38,230,000.00	38,230,000.00
CFD No. 12	18,000,000	–	7,689,087.48	7,689,087.48

⁽¹⁾ Excludes bonds which may be issued by a District with respect to any improvement areas (other than Improvement Area B of CFD No. 8) established within the applicable District. Excludes overlapping indebtedness authorized or issued by other jurisdictions. The 2003 CFD No. 2 Bonds have a pledge on CFD No. 2 Special Taxes which is senior to the pledge of the CFD No. 2 Special Tax Bonds on Net Surplus Special Tax Revenues.

Other indebtedness exists with respect to each Community Facilities District, including, in some cases, bonds which have been or may be issued by a Community Facilities District with respect to improvement areas there. See “Direct and Overlapping Debt” below.

Location and Description

CFD No. 2. CFD No. 2 includes several non-contiguous areas of land located in that portion of the School District within the boundaries of the City. The parcels are within the Torrey Highlands community which is in the southwest quadrant of the School District and west of Rancho Peñasquitos. CFD No. 2 is located along the south section of Camino del Sur and straddles the east-west corridor of SR-56. CFD No. 2 originally encompassed approximately 1,071 gross acres but owners of approximately 470 gross acres requested creation of Community Facilities District No. 10 to finance both school facilities and other public facilities, and the approximately 470 gross acres is no longer subject to the CFD No. 2 Special Tax leaving approximately 601 gross acres (approximately 183.02 taxable acres) encompassing, as of January 1, 2007, approximately 437 residential units which are currently taxable as

Developed Property. In addition, the owner of an approximately 122 unit apartment complex prepaid its Special Taxes and is no longer subject to the levy of Special Taxes. CFD No. 2 is located in the north part of Torrey Highlands Subarea IV, in the north part of the City.

CFD No. 4. CFD No. 4 is contiguous and is located in a portion of the School District which is within the City and known as Santaluz. It is located north of Carmel Valley Road and southeast of San Dieguito Road. Camino del Sur runs north and south through CFD No. 4. CFD No. 4 is approximately 2,937 gross acres (approximately 575.17 taxable acres). CFD No. 4 is located generally northwest from Carmel Valley Road. CFD No. 4 is located approximately 4.5 miles west of Interstate 15, in the norther portion of the County. As of January 1, 2007, 691 single-family detached residential units were classified as Developed Property of which 676 homes were owned by individual homeowners. In addition, two homeowners have prepaid their Special Taxes.

Improvement Area B of CFD No. 8. Improvement Area B of CFD No. 8 includes several non-contiguous areas of land located in a portion of the School District within the City. Most of the parcels lie west of Camino del Sur and north of Carmel Valley Road and border the western boundary of the School District. Improvement Area B of CFD No. 8 also contains parcels located south of the Del Norte High School site and parcels located southeast of the Carmel Valley Road extension in the Rancho Peñasquitos area. Improvement Area B of CFD No. 8 is approximately 514 gross acres (approximately 478.37 taxable acres). Improvement Area B of CFD No. 8 is located south of San Dieguito Road and west of Camino del Sur. Other portions of Improvement Area B of CFD No. 8 are located west of Dove Canyon Road and south of Camino del Sur. Another portion of Improvement Area B of CFD No. 8 is located south of Bernardo Center Drive and south of Camino del Norte, just west of Interstate 15. As of January 1, 2007, 199 residential units are classified as Developed Property and are taxable, of which 189 are single-family detached units and 10 are affordable dwelling units on a single assessor's parcel. In addition, the owner of one single-family detached unit and the owner of 26 affordable units prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. As of January 1, 2007, the 189 single-family homes were owned by individual homeowners.

CFD No. 9. CFD No. 9 is contiguous and is located in a portion of the School District which is within an unincorporated area of the County. The parcel is west of the 4S Ranch community in an area known as Santa Fe Valley. The parcel is contiguous with Four Gee Road on the westerly boundary of CFD No. 9. CFD No. 9 is approximately 63.95 gross acres (approximately 42.36 taxable acres) encompassing approximately 63 single-family detached homes. CFD No. 9 is located south of Camino Sante Fe and north of Artesian Road approximately 2 miles west of Interstate 15 in the northern portion of the County. As of January 1, 2007, all 63 single-family homes were subject to the Special Tax and owned by individual Homeowners.

CFD No. 10. CFD No. 10 includes several non-contiguous areas of land located in a portion of the School District which is within the City. It straddles SR-56 to the north and south and includes parcels on both the east and west side of Camino del Sur adjacent to the Westview High School parcel. CFD No. 10 is approximately 469.16 gross acres (approximately 156.07 taxable acres). CFD No. 10 is located along Camino del Sur, south of Carmel Valley Road, to the west of Rancho Peñasquitos, to the east of Pacific Highlands Ranch and to the south of Black Mountain Ranch. CFD No. 10 is located approximately 4 miles east of Interstate 5 and approximately 3 miles west of Interstate 15. As of January 1, 2007, 1,183 dwelling units are classified as Developed Property, of which 828 are single-family detached homes and 355 are single-family attached units. In addition, the owners of 22 single-family detached units and the owner of a 102-unit apartment complex prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. In addition, Vista Terraza Housing Partners, the owner of an 123 affordable apartment complex with 123 affordable units (defined above as the "123-Unit CFD No. 10 Apartment Complex") prepaid its Special Taxes on or about May 10, 2007.

CFD No. 12. CFD No. 12 includes several non-contiguous areas of land located in a portion of the School District which is within the City. The eastern portion of CFD No. 12 consists of several parcels north and south of the easterly portion of Carmel Valley Road. Additional parcels are in the northwestern portion of the School District west of Camino del Sur and within the Del Sur community. The remaining parcel is within the Santaluz community west of Camino del Sur between Via Azul and Lazanja Drive. CFD No. 12 is approximately 320.63 gross acres (approximately 280.63 taxable acres). CFD No. 12 is located approximately 2 miles west of Interstate 15. As of January 1, 2007, 245 single-family detached homes are classified as Developed Property of which 218 homes were owned by individual homeowners.

Assessed Property Values

The Fiscal Year 2006-07 assessed values of the property within each District (excluding Exempt Property and parcels for which Special Taxes have been prepaid) were as follows:

Table 5
Poway Unified School District Public Financing Authority
Assessed Values of Property

District	Estimated Assessed Value
CFD No. 2	\$343,963,732
CFD No. 4	741,706,617
CFD No. 8 (Imp. Area B)	218,012,319
CFD No. 9	72,907,732
CFD No. 10	742,162,736
CFD No. 12	<u>178,533,935</u>
Total	\$2,297,287,071

Estimated Assessed Value-to-Lien Ratios

The assessed values, direct and overlapping debt and total tax burden on individual parcels varies between the Districts and also varies among parcels within each District. The value of individual parcels is significant because in the event of a delinquency in the payment of Special Taxes a District may foreclose only against delinquent parcels. The table below sets forth the estimated assessed property values and the estimated direct and overlapping land secured debt and estimated value-to-lien ratio for each District as a whole. All information in this section is based on the direct and overlapping debt outstanding as of January 1, 2007, as set forth in the tables below in the Section captioned “THE DISTRICTS – Direct and Overlapping Debt.”

Table 6
Poway Unified School District Public Financing Authority
Estimated Average Value-to-Lien of Parcels
Subject to Special Tax

District/ Improvement Area	Minimum Assessed Value⁽¹⁾	Amount of Existing Debt as of 1/1/07	Amount of 2007 Special Tax Bonds^{(2)*}	Direct & Overlapping Tax and Assessment Debt⁽³⁾	Aggr. Overlapping Debt	Estimated Value-to- Lien⁽⁴⁾
CFD No. 2	\$343,963,732	\$1,213,500	\$1,598,847.12	–	\$2,812,347	25.04:1
CFD No. 4	741,706,617	–	11,989,000.00	\$34,626,536	46,615,536	15.91:1
CFD No. 8 (Imp. Area B)	218,012,319	–	7,329,000.00	9,726,159	17,055,159	12.78:1
CFD No. 9	72,907,732	–	1,711,000.00	1,958,886	3,669,886	19.87:1
CFD No. 10 ⁽⁵⁾	742,162,736	–	38,230,000.00	29,680,001	67,910,001	10.93:1
CFD No. 12	<u>178,533,935</u>	<u>–</u>	<u>7,689,087.48</u>	<u>–</u>	<u>7,689,087</u>	<u>23.22:1</u>
Total	\$2,297,287,071	\$12,135,000	\$68,546,934.60	\$75,991,582	\$145,752,016	14.66:1

⁽¹⁾ Source: Fiscal Year 2006-07 assessed value pursuant to the San Diego County Assessor’s equalized assessment roll dated April 3, 2007

⁽²⁾ Corresponds to the amount of the Special Tax Bonds issued by each District.

⁽³⁾ Source: National Tax Data Direct and Overlapping Debt Summary. See Tables 8 through 13.

⁽⁴⁾ Represents the value-to-lien for each District based on the amount of Special Tax Bonds and land secured direct and overlapping tax and assessment debt. Does not include certain general fund obligation debt or debt supported by ad valorem taxes levied on parcels within the Districts.

⁽⁵⁾ The Assessed Value of the 123-Unit Apartment Complex has not been included in the estimated assessed value of CFD No. 10. The aggregate overlapping debt does not include the amount allocable to the 123-Unit CFD No. 10 Apartment Complex.

See “– Direct and Overlapping Debt,” and “BONDOWNERS’ RISKS – The Special Tax Bonds – Assessed Values” herein for further information on the assessed value and for assumptions and limiting conditions relating to the assessed value.

Table 7
Combined Assessed Value and Value-to-Burden Ratio⁽¹⁾

<u>Value-to-Lien Category</u>	<u>Number of Parcels⁽²⁾</u>	<u>Combined Overlapping Liens⁽³⁾</u>	<u>2006-07 Taxable Property Assessed Value⁽⁴⁾</u>	<u>Combined Value-to-Burden Ratio</u>	<u>Fiscal Year 2006-07 Special Tax</u>	<u>Percentage Share of Special Tax</u>
30:1 and above	167	\$4,820,816	\$219,934,202	45.62	\$284,167	6.13%
20:1 to less than 30:1	559	21,692,295	501,062,756	23.10	951,331	20.53%
10:1 to less than 20:1	1,494	91,190,677	1,251,784,289	13.73	2,334,112	50.37%
5:1 to less than 10:1	577	35,422,033	322,162,530	9.09	1,050,121	22.66%
3:1 to less than 5:1	7	514,319	2,228,446	4.33	11,909	0.26%
Below 3:1	<u>2</u>	<u>55,191</u>	<u>114,848</u>	<u>2.08</u>	<u>1,983</u>	<u>0.04%</u>
Total	2,806	\$153,695,331	\$2,297,287,071	14.95	\$4,633,623	100.00%

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Represents the number of parcels subject to the Special Taxes in Fiscal Year 2006-07 as well as 26 parcels in CFD No. 12 which were not taxed in 2006-07 but for which building permits were subsequently issued and which units are reflected in other information regarding CFD No. 12 included in this Official Statement. See "Local and Descriptions" above.

⁽³⁾ See "Direct and Overlapping Debt" below for a description of overlapping liens; combined overlapping liens include proposed debt with respect to each District.

⁽⁴⁾ Assessed values as of January 1, 2006, which do not take into account increased improvement values from homes that have been completed since that time. The Assessed Value of the 123-Unit Apartment Complex has not been included in the estimated assessed value of CFD No.10.

Source: Dolinka Group, Inc.

Direct and Overlapping Debt

Tables 8 to 13 below set forth the existing authorized indebtedness payable from taxes and assessments that may be levied within each District prepared by National Tax Data and dated January 1, 2007 (each a "Debt Report"). Each Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, and the percentage values may change as assessed values of properties outside each District increase due to development. The Authority and the Districts believe the information is current as of its date, but make no representation as to its completeness or accuracy. Other public agencies, such as the County or the City may issue additional indebtedness at any time, without the consent or approval of the Authority, the School District or the Districts.

The Debt Reports generally include long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Districts in whole or in part. Such long term obligations generally are not payable from property taxes, assessment or special taxes on land in the Districts. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Additional indebtedness could be authorized by the Authority, the School District, the City or other public agencies at any time.

Property in each District is subject to special assessments, Special Taxes, and *ad valorem* property taxes. See "THE DISTRICTS – Direct and Overlapping Debt – *Overlapping Assessment and Community Facilities Districts*" below. Of the lien amounts reflected on the following table, only the Special Taxes and *ad valorem* property taxes are associated with any indebtedness.

The *ad valorem* tax rate for each parcel in the Districts ranges from 1.29% to 1.73% for Fiscal Year 2006-07. The tax rate in excess of the standard 1% general purpose *ad valorem* levy is attributable to various public agencies, including, Metropolitan Water District, San Diego County Water Authority, and Olivenhain Municipal Water District. The portions of these outstanding general obligation bonds allocable to each District are shown in the tables below.

The Authority and the Districts have not undertaken to commission annual appraisals of the market value of property in the District for purposes of the Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX D hereto for the form of the CONTINUING DISCLOSURE AGREEMENT.

**Table 8
Community Facilities District No. 2
Direct and Overlapping Debt Summary**

POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2

Detailed Direct and Overlapping Debt

I. Assessed Value

2006-2007 Secured Roll Assessed Value **\$403,952,739**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	936,149	\$3,319,441,070.13	0.11954%	475	\$3,967,977.73
Voter Approved Debt	VOTER	926,227	\$211,399,574.70	0.02053%	475	\$43,405.01
City of San Diego Peñasquitos East Maintenance District	LMD	10,158	\$246,383.46	1.48816%	48	\$3,666.58
City of San Diego Torrey Highlands Maintenance District	LMD	1,684	\$337,909.92	36.41851%	345	\$123,061.76
County of San Diego Mosquito / Disease Control	VECTOR	923,027	\$5,553,287.52	0.05361%	474	\$2,977.18
County of San Diego Vector Control, Zone A	VECTOR	519,414	\$1,411,012.72	0.07611%	471	\$1,073.88
County of San Diego Vector Control, Zone B	VECTOR	349,291	\$729,043.12	0.00125%	4	\$9.12
Metropolitan Water District of Southern California Standby Charge	STANDBY	345,709	\$4,277,808.96	0.19413%	475	\$8,304.68
Poway Unified School District CFD No. 2	CFD	520	\$877,255.20	100.00000%	437	\$877,255.20
San Diego County Water Authority Standby Charge	STANDBY	353,015	\$3,758,810.14	0.19140%	475	\$7,194.30
2006-2007 TOTAL PROPERTY TAX LIABILITY						\$5,034,925.44

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2006-2007 ASSESSED VALUATION **1.25%**

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 2	CFD	\$12,635,000	\$12,135,000	100.00000%	475	\$12,135,000
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$12,135,000
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$12,135,000

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego Public Safety Communication System Debt Service	GOB	\$25,500,000	\$9,905,000	0.26808%	475	\$26,553
Metropolitan Water District of Southern California Debt Service	GOB	\$850,000,000	\$389,600,000	0.02196%	475	\$85,556
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$112,109
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$112,109

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT **\$12,247,109**
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT **32.98:1**

(1)Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year. Does not include \$1,598,847.12 of CFD No. 2 Special Tax Bonds.

Source: National Tax Data, Inc.

Table 9
Community Facilities District No. 4
Direct and Overlapping Debt Summary

POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 4

I. Assessed Value

2006-2007 Secured Roll Assessed Value

\$1,051,212,905

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	936,149	\$3,319,441,070.13	0.31169%	1,032	\$10,346,252.09
Voter Approved Debt	VOTER	926,227	\$211,399,574.70	0.05354%	1,032	\$113,178.95
Black Mountain Ranch North Maintenance Assessment District	LLMD	56	\$52,459.36	2.15916%	47	\$1,132.68
City of San Diego CFD No. 2, Impv Area 1	CFD	1,004	\$4,752,388.10	100.00000%	1,004	\$4,752,388.10
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,462	\$547,124.90	72.38387%	981	\$396,030.18
County of San Diego Mosquito / Disease Control	VECTOR	923,027	\$5,553,287.52	0.11529%	1,032	\$6,402.28
County of San Diego Vector Control, Zone A	VECTOR	519,414	\$1,411,012.72	0.16207%	1,003	\$2,286.84
County of San Diego Vector Control, Zone B	VECTOR	349,291	\$729,043.12	0.00844%	27	\$61.56
Metropolitan Water District of Southern California Standby Charge	STANDBY	345,709	\$4,277,808.96	0.38518%	1,016	\$16,477.06
Palomar Pomerado Health Debt Service	GOB	184,909	\$9,862,559.98	0.39505%	217	\$38,961.60
Poway Unified School District CFD No. 4	CFD	1,292	\$708,039.34	100.00000%	1,292	\$708,039.34
San Diego County Water Authority Standby Charge	STANDBY	353,015	\$3,758,810.14	0.39585%	1,033	\$14,879.20
Sanitation District - Santa Luz	SWR/WTR	47	\$103,872.62	100.00000%	47	\$103,872.62
2006-2007 TOTAL PROPERTY TAX LIABILITY						\$16,499,962.50

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2006-2007 ASSESSED VALUATION

1.57%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego CFD No. 2, Impv Area 1	CFD	\$61,020,000	\$59,020,000	100.00000%	1,004	\$59,020,000
Poway Unified School District CFD No. 4	CFD	\$0	\$0	100.00000%	1,292	\$0
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$59,020,000

TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)

\$59,020,000

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego Open Space Park Facilities District No. 1	GOB	\$35,000,000	\$13,500,000	0.69762%	1,292	\$94,179
City of San Diego Public Safety Communication System Debt Service	GOB	\$25,500,000	\$9,905,000	0.69762%	1,292	\$69,099
Metropolitan Water District of Southern California Debt Service	GOB	\$850,000,000	\$389,600,000	0.05715%	1,292	\$222,656
Palomar Pomerado Health Debt Service	GOB	\$80,000,000	\$73,815,000	0.41086%	280	\$303,276
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$689,211

TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)

\$689,211

**TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT**

\$59,709,211

17.61:1

(1) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year. Does not include \$11,989,000 of CFD No. 4 Special Tax Bonds.

Table 10
Community Facilities District No. 8 Improvement Area B
Direct and Overlapping Debt Summary

POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 8
IMPROVEMENT AREA B

I. Assessed Value

2006-2007 Secured Roll Assessed Value

\$231,414,627

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	936,149	\$3,319,441,070.00	0.06934%	225	\$2,301,630.27
Voter Approved Debt	VOTER	926,227	\$211,399,574.70	0.01191%	225	\$25,177.71
Black Mountain Ranch North Maintenance Assessment District	LLMD	56	\$52,459.36	5.00959%	1	\$2,628.00
City of San Diego CFD No. 2, Impv Area 4	CFD	215	\$739,945.60	100.00000%	215	\$739,945.60
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,462	\$547,124.90	11.82257%	219	\$64,684.22
County of San Diego Mosquito / Disease Control	VECTOR	923,027	\$5,553,287.52	0.02474%	225	\$1,373.70
County of San Diego Vector Control, Zone A	VECTOR	519,414	\$1,411,012.72	0.03636%	225	\$513.00
Metropolitan Water District of Southern California Standby Charge	STANDBY	345,709	\$4,277,808.96	0.16879%	225	\$7,220.42
Palomar Pomerado Health Debt Service	GOB	184,909	\$9,862,559.98	0.00430%	6	\$423.67
Poway Unified School District CFD No. 8	CFD	262	\$485,558.48	100.00000%	190	\$485,558.48
San Diego County Water Authority Standby Charge	STANDBY	353,015	\$3,758,810.14	0.16674%	225	\$6,267.30
2006-2007 TOTAL PROPERTY TAX LIABILITY						\$3,635,422.37

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2006-2007 ASSESSED VALUATION

1.57%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego CFD No. 2, Impv Area 4	CFD	\$9,965,000	\$9,765,000	100.00000%	215	\$9,765,000
Poway Unified School District CFD No. 8	CFD	\$0	\$0	100.00000%	262	\$0
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$9,765,000

TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)

\$9,765,000

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego Open Space Park Facilities District No. 1	GOB	\$35,000,000	\$13,500,000	0.15358%	262	\$20,733
City of San Diego Public Safety Communication System Debt Service	GOB	\$25,500,000	\$9,905,000	0.15358%	262	\$15,212
Metropolitan Water District of Southern California Debt Service	GOB	\$850,000,000	\$389,600,000	0.01258%	262	\$49,012
Palomar Pomerado Health Debt Service	GOB	\$80,000,000	\$73,815,000	0.00422%	7	\$3,115
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$88,072

TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)

\$88,072

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT

\$9,853,072

VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT

23.49:1

(1) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year. Does not include \$7,329,000 of CFD No. 8 Special Tax Bonds.

Source: National Tax Data, Inc.

Table 11
Community Facilities District No. 9
Direct and Overlapping Debt Summary

POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 9

I. Assessed Value

2006-2007 Secured Roll Assessed Value **\$72,907,732**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	936,149	\$3,319,441,070.13	0.02184%	63	\$725,087.32
Voter Approved Debt	VOTER	926,227	\$211,399,574.70	0.00161%	63	\$3,407.63
County of San Diego Mosquito / Disease Control	VECTOR	923,027	\$5,553,287.52	0.00722%	63	\$400.68
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	48,869	\$1,189,190.04	0.12683%	63	\$1,508.22
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSOURCE	2,481	\$228,467.40	2.70235%	63	\$6,174.00
County of San Diego Street Lighting, Zone A	LLMD	92,649	\$599,032.02	0.06184%	63	\$370.44
County of San Diego Vector Control, Zone B	VECTOR	349,291	\$729,043.12	0.01970%	63	\$143.64
Metropolitan Water District of Southern California Standby Charge	STANDBY	24,064	\$422,868.34	0.17152%	63	\$725.32
Olivenhain Municipal Water District AD No. 96-1	1915	21,696	\$1,495,966.08	0.01735%	63	\$259.56
Palomar Pomerado Health Debt Service	GOB	184,909	\$9,862,559.98	0.13049%	63	\$12,869.97
Poway Unified School District CFD No. 9	CFD	65	\$134,712.88	100.00000%	65	\$134,712.88
Rancho Santa Fe Community Services District CFD No. 1	CFD	548	\$2,702,972.16	6.77622%	63	\$183,159.36
Rancho Santa Fe Community Services District Sewer	SEWER	536	\$439,646.00	11.46377%	63	\$50,400.00
Rancho Santa Fe Fire Protection District Special Tax	FIRE	11,554	\$222,467.50	0.36522%	63	\$812.50
San Diego County Water Authority Standby Charge	STANDBY	24,242	\$371,423.70	0.16981%	63	\$630.70

\$1,120,662.22

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2006-2007 ASSESSED VALUATION

1.54%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Olivenhain Municipal Water District AD No. 96-1	1915	\$22,530,000	\$18,840,000	0.01735%	63	\$3,269
Poway Unified School District CFD No. 9	CFD	\$0	\$0	100.00000%	65	\$0
Rancho Santa Fe Community Services District CFD No. 1	CFD	\$29,025,000	\$28,860,000	6.77622%	63	\$1,955,617

\$1,958,886

TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)

\$1,958,886

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California Debt Service	GOB	\$850,000,000	\$389,600,000	0.00396%	65	\$15,428
Palomar Pomerado Health Debt Service	GOB	\$80,000,000	\$73,815,000	0.12879%	65	\$95,066

\$110,494

TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)

\$110,494

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT

\$2,069,380

VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT

35.23:1

(1) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year. Does not include \$1,711,000 of CFD No. 9 Special Tax Bonds.

Source: National Tax Data, Inc.

Table 12
Community Facilities District No. 10 Zone 1 and Zone 2
Direct and Overlapping Debt Summary

POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 10 ZONE 1 AND ZONE 2

I. Assessed Value

2006-2007 Secured Roll Assessed Value **\$819,139,325**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	936,149	\$3,319,441,070.13	0.24006%	1,321	\$7,968,687.68
Voter Approved Debt	VOTER	926,227	\$211,399,574.70	0.04123%	1,321	\$87,163.80
City of San Diego Peñasquitos East Maintenance District	LMD	10,158	\$246,383.46	0.00619%	1	\$15.26
City of San Diego Torrey Highlands Maintenance District	LMD	1,684	\$337,909.92	61.34167%	1,245	\$207,279.58
County of San Diego Mosquito / Disease Control	VECTOR	923,027	\$5,553,287.52	0.13989%	1,321	\$7,768.74
County of San Diego Vector Control, Zone A	VECTOR	519,414	\$1,411,012.72	0.21200%	1,312	\$2,991.36
County of San Diego Vector Control, Zone B	VECTOR	349,291	\$729,043.12	0.00281%	9	\$20.52
Metropolitan Water District of Southern California Standby Charge	STANDBY	345,709	\$4,277,808.96	0.36898%	1,324	\$15,784.12
Poway Unified School District CFD No. 10	CFD	1,409	\$2,201,151.06	100.00000%	1,409	\$2,201,151.06
Poway Unified School District CFD No. 10, Impv Area A	CFD	364	\$760,829.86	100.00000%	364	\$760,829.86
Poway Unified School District CFD No. 10, Impv Area B	CFD	235	\$495,574.02	100.00000%	235	\$495,574.02
Poway Unified School District CFD No. 10, Impv Area C	CFD	191	\$258,239.84	100.00000%	191	\$258,239.84
Poway Unified School District CFD No. 10, Impv Area D	CFD	142	\$359,018.84	100.00000%	142	\$359,018.84
Poway Unified School District CFD No. 10, Impv Area E	CFD	262	\$403,126.42	100.00000%	262	\$403,126.42
San Diego County Water Authority Standby Charge	STANDBY	353,015	\$3,758,810.14	0.36479%	1,324	\$13,711.60
2006-2007 TOTAL PROPERTY TAX LIABILITY						\$12,781,362.70
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2006-2007 ASSESSED VALUATION						1.56%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 10	CFD	\$0	\$0	100.00000%	1,409	\$0
Poway Unified School District CFD No. 10, Impv Area A	CFD	\$9,700,000	\$9,610,000	100.00000%	364	\$9,610,000
Poway Unified School District CFD No. 10, Impv Area B	CFD	\$6,345,000	\$6,290,000	100.00000%	235	\$6,290,000
Poway Unified School District CFD No. 10, Impv Area C	CFD	\$3,000,000	\$2,985,000	100.00000%	191	\$2,985,000
Poway Unified School District CFD No. 10, Impv Area D	CFD	\$5,125,000	\$5,085,000	100.00000%	142	\$5,085,000
Poway Unified School District CFD No. 10, Impv Area E	CFD	\$5,750,000	\$5,710,000	100.00000%	262	\$5,710,000
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$29,680,000
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$29,680,000

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego Open Space Park Facilities District No. 1	GOB	\$35,000,000	\$13,500,000	0.54361%	1,409	\$73,387
City of San Diego Public Safety Communication System Debt Service	GOB	\$25,500,000	\$9,905,000	0.54361%	1,409	\$53,845
Metropolitan Water District of Southern California Debt Service	GOB	\$850,000,000	\$389,600,000	0.04453%	1,409	\$173,489
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$300,721
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$300,721

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT **\$29,980,721**
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT **27.32:1**

(1) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year. Does not include \$38,230,000 of CFD No. 10 Special Tax Bonds.

Table 13
Community Facilities District No. 12
Direct and Overlapping Debt Summary

POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 12

I. Assessed Value

2006-2007 Secured Roll Assessed Value **\$194,039,169**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	936,149	\$3,319,441,070.13	0.05798%	336	\$1,924,739.69
Voter Approved Debt	VOTER	926,227	\$211,399,574.70	0.00996%	336	\$21,053.87
Black Mountain Ranch North Maintenance Assessment District	LLMD	56	\$52,459.36	2.87239%	1	\$1,506.84
City of San Diego CFD No. 4	CFD	279	\$775,731.92	100.00000%	279	\$775,731.92
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,462	\$547,124.90	15.79356%	262	\$86,410.50
County of San Diego Mosquito / Disease Control	VECTOR	923,027	\$5,553,287.52	0.03085%	336	\$1,713.30
County of San Diego Vector Control, Zone A	VECTOR	519,414	\$1,411,012.72	0.04282%	265	\$604.20
County of San Diego Vector Control, Zone B	VECTOR	349,291	\$729,043.12	0.02220%	71	\$161.88
Metropolitan Water District of Southern California Standby Charge	STANDBY	345,709	\$4,277,808.96	0.14472%	336	\$6,190.86
Palomar Pomerado Health Debt Service	GOB	184,909	\$9,862,559.98	0.03572%	74	\$3,522.58
Poway Unified School District CFD No. 12	CFD	374	\$367,843.86	100.00000%	374	\$367,843.86
San Diego County Water Authority Standby Charge	STANDBY	353,015	\$3,758,810.14	0.14261%	336	\$5,360.50
2006-2007 TOTAL PROPERTY TAX LIABILITY						\$3,194,840.00
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2006-2007 ASSESSED VALUATION						1.65%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego CFD No. 4	CFD	\$0	\$0	100.00000%	279	\$0
Poway Unified School District CFD No. 12	CFD	\$0	\$0	100.00000%	374	\$0
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$0
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$0

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego Open Space Park Facilities District No. 1	GOB	\$35,000,000	\$13,500,000	0.12877%	374	\$17,384
City of San Diego Public Safety Communication System Debt Service	GOB	\$25,500,000	\$9,905,000	0.12877%	374	\$12,755
Metropolitan Water District of Southern California Debt Service	GOB	\$850,000,000	\$389,600,000	0.01055%	374	\$41,103
Palomar Pomerado Health Debt Service	GOB	\$80,000,000	\$73,815,000	0.03506%	91	\$25,880
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$97,121
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$97,121

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT **\$97,121**
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT **1997.91:1**

(1) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year. Does not include \$7,689,087.48 of CFD No. 12 Special Tax Bonds.

Source: National Tax Data, Inc.

The tables below set forth estimated Fiscal Year 2006-07 overall tax rates projected to be applicable to a Detached Unit of the indicated square footage. The tables also set forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

Table 14
Community Facilities District No. 2
of the Poway Unified School District
Estimated Fiscal Year 2006-07 Tax Rates
(Detached Unit 3,883 Sq. Ft.)

ASSESSED VALUATIONS AND PROPERTY TAXES

Estimated Assessed Value ⁽¹⁾	\$700,500
<u>Homeowner's Exemption</u>	<u>(\$7,000)</u>
Net Assessed Value ⁽²⁾	\$693,500

AD VALOREM PROPERTY TAXES	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$6,935.00
<i>Ad Valorem</i> Tax Overrides		
San Diego Zoological Exhibits	0.00500%	\$34.67
San Diego City Public Safety Communication System	0.00124%	8.6
Metropolitan Water District Debt Service	0.00470%	32.59
<u>Total <i>Ad Valorem</i> Property Taxes</u>	<u>1.01094%</u>	<u>\$7,010.86</u>

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES⁽²⁾

Poway Unified School District CFD No. 2	\$2,006.80
City of San Diego Peñiquitos Landscape Maintenance District	15.26
MWD Water Availability Standby Charge ⁽³⁾	11.5
San Diego County CWA Water Availability Standby Charge ⁽³⁾	10
County of San Diego Mosquito/Disease Control	6.36
County of San Diego Mosquito/Rat Control	2.28

<u>PROJECTED TOTAL PROPERTY TAXES</u>	<u>\$9,063.00</u>
Projected Total Effective Tax Rate (as % of Net Assessed Value)	1.31%

- ⁽¹⁾ Estimated assessed valuation for an average single-family detached residential unit with 3,883 building square feet.
⁽²⁾ Assessment value reflects estimated total assessed value for the parcel net of homeowner's exemption.
⁽³⁾ All charges and special assessments are based on a Lot size of less than an acre.

Source: Dolinka Group, Inc.

Table 15
Community Facilities District No. 4
of the Poway Unified School District
Estimated Fiscal Year 2006-07 Tax Rates
(Detached Unit 4,000 Sq. Ft.)

ASSESSED VALUATIONS AND PROPERTY TAXES

Estimated Assessed Value ⁽¹⁾	\$928,223
<u>Homeowner's Exemption</u>	<u>(\$7,000)</u>
Net Assessed Value ⁽²⁾	\$921,223

AD VALOREM PROPERTY TAXES	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$9,212.23
<i>Ad Valorem</i> Tax Overrides		
San Diego City Zoological Exhibits	0.00500%	\$46.06
San Diego Public Safety Communications	0.00124%	11.42
Metropolitan Water District Debt Service	0.00470%	43.29
<hr/>		
Total <i>Ad Valorem</i> Property Taxes	1.01094%	\$9,313.00

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES⁽³⁾

Poway Unified School District CFD No. 4	\$837.26
City of San Diego Community Facilities District No. 2 Improvement Area 1	4,424.44
City of San Diego Black Mountain Ranch North Maintenance Assessment District	300
MWD Water Availability Standby Charge	11.5
San Diego County CWA Water Availability Standby Charge	10
County of San Diego Mosquito/Disease Control	6.36
County of San Diego Mosquito/Rat Control	2.28

PROJECTED TOTAL PROPERTY TAXES	\$14,905
<hr/> Projected Total Effective Tax Rate	<hr/> 1.62%

- ⁽¹⁾ Estimated assessed valuation for an average single-family detached residential unit with 4,000 building square feet.
⁽²⁾ Assessed value reflects estimated total assessed value for the parcel net of homeowner's exemption.
⁽³⁾ All charges and special assessments are based on a Lot size of less than an acre.

Source: Dolinka Group, Inc.

Table 16
Community Facilities District No. 8 Improvement Area B
of the Poway Unified School District
Estimated Fiscal Year 2006-07 Tax Rates
(Detached Unit 4,765 Sq. Ft.)

ASSESSED VALUATIONS AND PROPERTY TAXES

Estimated Assessed Value ⁽¹⁾	\$1,094,265
<u>Homeowner's Exemption</u>	<u>(\$7,000)</u>
Net Assessed Value ⁽²⁾	\$1,087,265

AD VALOREM PROPERTY TAXES	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$10,872.65
<i>Ad Valorem Tax Overrides</i>		
San Diego City Zoological Exhibits	0.00500%	\$54.36
San Diego Public Safety Communications	0.00124%	13.48
Metropolitan Water District Debt Service	0.00470%	51.1
<hr/>		
Total <i>Ad Valorem</i> Property Taxes	1.01094%	\$10,991.59

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES⁽²⁾

Poway Unified School District CFD No. 8 IA B	\$2,621.40
City of San Diego Community Facilities District No. 2 Improvement Area 4	4,625.68
City of San Diego Black Mountain Ranch North Maintenance Assessment District	300
MWD Water Availability Standby Charge	11.5
San Diego County CWA Water Availability Standby Charge	10
County of San Diego Mosquito/Disease Control	6.36
County of San Diego Mosquito/Rat Control	2.28

PROJECTED TOTAL PROPERTY TAXES	\$18,569
<hr/> Projected Total Effective Tax Rate	<hr/> 1.71%

- ⁽¹⁾ Estimated assessed valuation for an average single-family detached residential unit with 4,765 building square feet.
⁽²⁾ Assessed value reflects estimated total assessed value for the parcel net of homeowner's exemption.
⁽³⁾ All charges and special assessments are based on a Lot size of less than an acre.

Source: Dolinka Group, Inc.

Table 17
Community Facilities District No. 9
of the Poway Unified School District
Estimated Fiscal Year 2006-07 Tax Rates
(Detached Unit 4,614 Sq. Ft.)

ASSESSED VALUATIONS AND PROPERTY TAXES

Estimated Assessed Value ⁽¹⁾	\$1,105,393
Homeowner's Exemption	(\$7,000)
Net Assessed Value⁽²⁾	\$1,098,393

AD VALOREM PROPERTY TAXES	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$10,983.93
<i>Ad Valorem</i> Tax Overrides		
Palomar Pomerado Health	0.01775%	\$194.96
Metropolitan Water District Debt Service	0.00470%	51.62
<hr/>		
Total Ad Valorem Property Taxes	1.02245%	\$11,230.51

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES⁽³⁾

Poway Unified School District CFD No. 9	\$2,145.22
Rancho Santa Fe Community Facilities District No. 1 (Santa Fe Valley)	2,590.16
Rancho Santa Fe CSA Sewer Service Charge	800
County of San Diego CSA 83 A Park Maintenance	98
County of San Diego CSA 17 Emergency Ambulance Service	23.94
Rancho Sante Fe Fire District Special Tax	12.5
MWD Water Availability Standby Charge	11.5
San Diego County CWA Water Availability Standby Charge	10
County of San Diego Mosquito/Disease Control	6.36
County of San Diego Street Lighting Zone A	5.88
Olivenhain Municipal Water District Assessment District No. 96-1	4.12
County of San Diego Mosquito/Rat Control	2.28

PROJECTED TOTAL PROPERTY TAXES	\$16,940
Projected Total Effective Tax Rate	1.54%

- (1) Estimated assessed valuation for an average single-family detached residential unit with 4,614 building square feet.
(2) Assessed value reflects estimated total assessed value for the parcel net of homeowner's exemption.
(3) All charges and special assessments are based on a Lot size of less than an acre.

Source: Dolinka Group, Inc.

Table 18
Community Facilities District No. 10
of the Poway Unified School District
Estimated Fiscal Year 2006-07 Tax Rates
(Detached Unit 2,889 Sq. Ft.)

ASSESSED VALUATIONS AND PROPERTY TAXES

Estimated Assessed Value ⁽¹⁾	\$640,238
Homeowner's Exemption	(\$7,000)
Net Assessed Value⁽²⁾	\$633,238

AD VALOREM PROPERTY TAXES	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$6,332.38
<i>Ad Valorem</i> Tax Overrides		
San Diego City Zoological Exhibits	0.00500%	\$31.66
San Diego Public Safety Communications	0.00124%	7.85
Metropolitan Water District Debt Service	0.00470%	29.76
Total Ad Valorem Property Taxes	1.01094%	\$6,401.65

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES⁽³⁾

Poway Unified School District CFD No. 10	\$2,017.24
Poway Unified School District CFD No. 10 IA D	2,525.38
City of San Diego Torrey Highlands Landscape Maintenance District	108.78
MWD Water Availability Standby Charge	11.5
San Diego County CWA Water Availability Standby Charge	10
County of San Diego Mosquito/Disease Control	6.36
County of San Diego Mosquito/Rat Control	2.28

PROJECTED TOTAL PROPERTY TAXES	\$11,083
Projected Total Effective Tax Rate	1.75%

- ⁽¹⁾ Estimated assessed valuation for an average single-family detached residential unit with 2,889 building square feet.
⁽²⁾ Assessed value reflects estimated total assessed value for the parcel net of homeowner's exemption.
⁽³⁾ All charges and special assessments are based on a Lot size of less than an acre.

Source: Dolinka Group, Inc.

Table 19
Community Facilities District No. 12
of the Poway Unified School District
Estimated Fiscal Year 2006-07 Tax Rates
(Detached Unit 3,078 Sq. Ft.)

ASSESSED VALUATIONS AND PROPERTY TAXES

Estimated Assessed Value ⁽¹⁾	\$714,871
Homeowner's Exemption	(\$7,000)
Net Assessed Value⁽²⁾	\$707,871

AD VALOREM PROPERTY TAXES	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$7,078.71
<i>Ad Valorem Tax Overrides</i>		
San Diego City Zoological Exhibits	0.00500%	\$35.39
San Diego Public Safety Communications	0.00124%	8.78
Metropolitan Water District Debt Service	0.00470%	33.26
<hr/>		
Total Ad Valorem Property Taxes	1.01094%	\$7,156.14

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES⁽³⁾

Poway Unified School District CFD No. 12	\$1,824.74
City of San Diego Black Mountain Ranch CFD No. 4	2,936.92
City of San Diego Black Mountain Ranch North Maintenance Assessment District	300
MWD Water Availability Standby Charge	11.5
San Diego County CWA Water Availability Standby Charge	10
County of San Diego Mosquito/Disease Control	6.36
County of San Diego Mosquito/Rat Control	2.28

PROJECTED TOTAL PROPERTY TAXES	\$12,248
Projected Total Effective Tax Rate	1.73%

- (1) Estimated assessed valuation for an average single-family detached residential unit with 3,078 building square feet.
(2) Assessed value reflects estimated total assessed value for the parcel net of homeowner's exemption.
(3) All charges and special assessments are based on a Lot size of less than an acre.

Source: Dolinka Group, Inc.

Overlapping Assessment and Maintenance Districts

As indicated in the tables above, properties within the Districts are subject to a variety of standby charges, direct assessments, maintenance assessments, special assessments and service charges. Most of these charges are in amounts less than \$500 per annum. Properties within a few Districts are subject to a sewer service charges or special taxes in excess of \$500 per year. These charges are further described below.

City of San Diego Community Facilities District No. 2 Improvement Areas 1 and 4. The City of San Diego formed this Community Facilities District to fund street improvements, sewer improvements, a fire station and library facilities. The special tax rates for residential units in tax year 2007-08 vary by unit size and range from \$1,600.18 to \$8,100.82 depending on the unit size and depending on the Improvement Area. (Applies within CFD No. 4 and Improvement Area B of CFD No. 8 only.)

Rancho Sante Fe Community Services District Sewer Service Charge. Rancho Sante Fe Community Services District imposes a sewer service charge of \$800 per year for a single-family unit. The charge pays for the construction, maintenance and operation of sewer facilities. (Applies within CFD No. 9 only.)

Rancho Sante Fe Community Services District Community Facilities District No. 1 Zone 3. Rancho Santa Fe Community Services District formed this Community Facilities District to fund road, sewer, water line, treatment plant and storage facility improvements. The special tax rates for residential units in tax year 2007-08 vary by unit size and range from \$2,252.33 to \$3,451.33. (Applies within CFD No. 9 only.)

Improvement Areas of Poway Unified School District Community Facilities District No. 10. Poway Unified School District formed a community facilities district consisting of several improvement areas to fund certain road improvements. Depending on the Improvement Area, the special tax rates for residential units in tax year 2007-08 vary by unit size and range from \$668.34 to \$3,212.34. (Applies within CFD No. 10 only.)

City of San Diego Black Mountain Ranch Community Facilities District No. 4. The City of San Diego formed this Community Facilities District to fund extension and widening of streets, to build a bridge and for sewer system improvements. The special tax rates for residential units in tax year 2007-08 vary by unit size and range from \$2,500.02 to \$6,601.60 depending on the unit size and depending on the Improvement Area. (Applies within CFD No. 12 only.)

The Districts have no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within a special district which may be incurred in the future by other governmental agencies, including, but not limited to, the County, the City or any other governmental agency having jurisdiction over all or a portion of the property within the Districts. Furthermore, nothing prevents the owners of property within each District from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within a District on a parity with a lien of the Special Taxes.

Accordingly, the debt on the property within each District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the ratio that exists at the time the Bonds are issued between the value of the property and the debt secured by the Special Taxes and other taxes and assessments which may be levied on such property. The incurring of such additional indebtedness could also affect the ability and willingness of the property owners within a District to pay the Special Taxes when due.

Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of the property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See “BONDOWNERS’ RISKS – Assessed Values” and “BONDOWNERS’ RISKS – The Special Tax Bonds – Assessed Value.”

Rates and Methods of Apportionment of Special Tax

The Board and the qualified electors of each District adopted and approved the applicable Rate and Method of Apportionment of Special Tax for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes for such Districts. Copies are included herein in APPENDIX B.

Pursuant to each Rate and Method of Apportionment of Special Tax, the annual amount of Special Tax to be levied on each lot or parcel of land within the applicable District is generally to be levied as follows: (i) to pay debt service on the indebtedness of the applicable District; (ii) for the direct cost of authorized facilities; (iii) for the administrative expenses of the applicable District incurred in administration of any bonded indebtedness of such District or the levy of the applicable Special Tax; (iv) to establish or replenish any reserve fund; (v) lease payments for existing or future school facilities; and (vi) any other payments permitted by law.

The foregoing Special Taxes for each District were levied on Developed Property as defined in the applicable Rate and Method of Apportionment for each District. The following table sets forth, as of January 1, 2007, based on the assessed value, the largest taxpayers on an aggregate basis in the Districts.

Table 20
Poway Unified School District Public Financing Authority
Largest Special Taxpayers⁽¹⁾

Person	Total Special Tax Amount	Fiscal Year 2006-07 Percent Share of Total Special Taxes
Warmington SL Associates LP	\$12,877	0.28%
Chun and Gloria Yim	10,704	0.23%
Walters Group	10,453	0.23%
Boccaro Family Trust	5,106	0.11%
Jeffery Rippee	4,739	0.10%
David Johnson and Leigh Trust	4,642	0.10%
Albertsons Inc.	4,583	0.10%
Cabral Family Trust	4,440	0.10%
Andrew Vartani	4,425	0.10%
Jack Rasgaitis	<u>4,243</u>	<u>0.09%</u>
Total	\$66,212	1.43%

⁽¹⁾ Excludes the Special Taxes levied in Fiscal Year 2006-07 relating to the 123-Unit CFD No. 10 Apartment Complex owned by Vista Terraza Housing Partners. On or about May 10, 2007 the Special Taxes were prepaid by Vista Terraza Housing Partners.

The table below summarizes the estimated Fiscal Year 2007-08 Community Facilities Special Tax levy by the Community Facilities District:

Table 21
Poway Unified School District
Public Financing Authority
2007-08 Special Tax Levy by District

<u>District</u>	<u>Parcels To Be Levied⁽¹⁾</u>	<u>Special Taxes To Be Levied</u>	<u>Fiscal Year 2007-08 Levy as Percent of Total</u>
CFD No. 2	437	\$154,533 ⁽²⁾	3.81%
CFD No. 4	691	722,200	17.8
CFD No. 8 (Imp. Area B)	190 ⁽³⁾	495,270	12.21
CFD No. 9	63	137,407	3.39
CFD No. 10 (Zone 1 & Zone 2)	1,183	2,104,236	51.88
CFD No. 12	<u>245</u>	<u>442,644</u>	<u>10.91</u>
Total	2,807	\$4,056,290	100.00%

- ⁽¹⁾ Approximately 2,807 parcels will be subject to the levy of Special Taxes in Fiscal Year 2007-08 and the aggregate Special Taxes levied will increase by 2% in each District and will increase in CFD No. 12 by the additional 26 units subject to the Special Tax in Fiscal Year 2007-08.
- ⁽²⁾ Excludes the portion of the Special Tax levy relating to the 2003 CFD No. 2 Bonds.
- ⁽³⁾ Excludes the Special Taxes which would have been levied in Fiscal Year 2007-08 relating to the 123-Unit CFD No. 10 Apartment Complex owned by Vista Terraza Housing Partners which were prepaid on or about May 10, 2007.

Source: Dolinka Group, Inc.

CFD No. 2 Rate and Method of Apportionment of Special Tax. The Board and the qualified elector of CFD No. 2 adopted and approved the Rate and Method of Apportionment of Special Tax for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes as set forth in Exhibit A to the Resolution of Intention and the Resolution of Formation establishing CFD No. 2. A copy of the Rate and Method of Apportionment of Special Tax is included herein in APPENDIX B.

Pursuant to the Rate and Method of Apportionment of Special Tax, the annual amount of Special Tax to be levied on each lot or parcel of land within CFD No. 2, is shown on the San Diego County Assessor's Maps. This Special Tax is to be levied (i) to pay debt service on the indebtedness of all Districts; (ii) for the direct cost of authorized facilities; (iii) for the administrative expenses of all Districts incurred in administration of any bonded indebtedness of all Districts or the levy of the Special Tax; (iv) to establish or replenish any reserve fund; (v) lease payments for existing or future school facilities; and (vi) any other payments permitted by law. Special Taxes are payable until 25 years after the last bond series is issued but in no event later than Fiscal Year 2045-46. All property within CFD No. 2 which is being taxed is classified as Developed Property.

\$94,532.80 of Special Taxes levied on 437 parcels within CFD No. 2 for Fiscal Year 2007-08 is expected to exceed debt service on the 2003 CFD No. 2 Bonds and administrative expenses and be

available to pay debt service on the CFD No. 2 Bonds. All of the foregoing Special Taxes are expected to be levied on Developed Property as defined in the Rate and Method of Apportionment for CFD No. 2. The merchant builders are expected to complete and sell the remaining homes. The timing of sales cannot be predicted.

CFD No. 2 Special Taxes may be prepaid by paying the prepayment amount minus an amount based on the amount of Special Tax Bonds which have been retired with respect to such parcel. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the Special Tax Fund to be applied for the purposes and in the priorities set forth in the District Bond Indenture. Such funds may be used at any time for the call and redemption of Special Tax Bonds under the terms and conditions set forth in the District Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds – *Redemption Fund*.”

CFD No. 4 Rate and Method of Apportionment of Special Tax. The Board and the qualified electors of CFD No. 4 adopted and approved the Rate and Method of Apportionment of Special Tax for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes. A copy of the Rate and Method of Apportionment of Special Tax is included herein in APPENDIX B.

Property within CFD No. 4 became classified as taxable Developed Property. All property within CFD No. 4 which is being taxed is classified as Developed Property. The classification of property within CFD No. 4 which is being taxed is determined based on the date by which a building permit was issued for the residential parcel, with the amount increasing based on the Marshall & Swift Western Region Class D Wood Frame Index. The Rate and Method of Apportionment of Special Tax provides that the Special Tax will be levied at the Assigned Annual Special Tax that is applicable to each parcel. For Fiscal Years thereafter the Assigned Annual Special Tax shall increase by 2% of the amount in effect the prior year, *provided* that no such increase shall occur more than 15 Fiscal Years after the issuance of all bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

\$722,200 in Special Taxes are estimated to be levied on 691 parcels within CFD No. 4 for Fiscal Year 2007-08. All of the foregoing Special Taxes are expected to be levied on Developed Property as defined in the Rate and Method of Apportionment for CFD No. 4. The merchant builders are expected to complete and sell the remaining homes. The timing of sales cannot be predicted.

CFD No. 4 Special Taxes may be prepaid by paying an amount calculated based on a proportional amount of the principal amount of the bonds outstanding plus any applicable redemption premium plus administration fees. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the Special Tax Fund to be applied for the purposes and in the priorities set forth in the District Bond Indenture. Such funds may be used at any time for the call and redemption of Special Tax Bonds under the terms and conditions set forth in the District Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds – *Redemption Fund*.”

CFD No. 8 Rate and Method of Apportionment of Special Tax. The Board and the qualified electors of CFD No. 8 adopted and approved the Rate and Method of Apportionment of Special Tax for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes. A copy of the Rate and Method of Apportionment of Special Tax is included herein in APPENDIX B.

Property within Improvement Area B of CFD No. 8 became classified as taxable Developed Property. All property within Improvement Area B of CFD No. 8 which is being taxed is classified as Developed Property. The classification of property within Improvement Area B of CFD No. 8 which is

being taxed is determined based on the date by which a building permit was issued for the residential parcel, with the amount increasing based on an inflation index. The Rate and Method of Apportionment of Special Tax provides that the Special Tax will be levied at the Assigned Annual Special Tax that is applicable to each parcel.

\$495,270 in Special Taxes are estimated to be levied on 190 parcels within Improvement Area B of CFD No. 8 for Fiscal Year 2007-08. All of the foregoing Special Taxes are expected to be levied on Developed Property as defined in the Rate and Method of Apportionment for CFD No. 8. The merchant builders are expected to complete and sell the remaining homes. The timing of sales cannot be predicted.

CFD No. 8 Improvement Area B Special Taxes may be prepaid by paying an amount calculated based on a proportional amount of the principal amount of the bonds outstanding plus any applicable redemption premium plus administration fees to such parcel. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the Special Tax Fund to be applied for the purposes and in the priorities set forth in the District Bond Indenture. Such funds may be used at any time for the call and redemption of Special Tax Bonds under the terms and conditions set forth in the District Bond Indenture. See "SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds – *Redemption Fund.*"

CFD No. 9 Rate and Method of Apportionment of Special Tax. The Board and the qualified electors of CFD No. 9 adopted and approved the Rate and Method of Apportionment of Special Tax for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes. A copy of the Rate and Method of Apportionment of Special Tax is included herein in APPENDIX B.

Property within CFD No. 9 became classified as taxable Developed Property. All property within CFD No. 9 which is being taxed is classified as Developed Property. The classification of property within CFD No. 9 which is being taxed is determined based on the date by which a building permit was issued for the residential parcel, with the amount increasing based on an index prior to the issuance of a building permit and subject to 2% escalation thereafter. The Rate and Method of Apportionment of Special Tax provides that the Special Tax will be levied at the maximum Special Tax that is applicable to each parcel.

\$137,407 in Special Taxes are estimated to be levied on 63 parcels within CFD No. 9 for Fiscal Year 2007-08. All of the foregoing Special Taxes are expected to be levied on Developed Property as defined in the Rate and Method of Apportionment for CFD No. 9. The merchant builders are expected to complete and sell the remaining homes. The timing of sales cannot be predicted.

CFD No. 9 Special Taxes may be prepaid by paying the gross prepayment amount minus the amount of regularly scheduled principal of Special Tax Bonds retired with respect to such parcel. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the Special Tax Fund to be applied for the purposes and in the priorities set forth in the District Bond Indenture. Such funds may be used at any time for the call and redemption of Special Tax Bonds under the terms and conditions set forth in the District Bond Indenture. See "SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds – *Redemption Fund.*"

CFD No. 10 Rate and Method of Apportionment of Special Tax. The Board and the qualified electors of CFD No. 10 adopted and approved the Rate and Method of Apportionment of Special Tax for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes. A copy of the Rate and Method of Apportionment of Special Tax is included herein in APPENDIX B.

Property within CFD No. 10 became classified as taxable Developed Property. All property within CFD No. 10 which is being taxed is classified as Developed Property. The classification of property within CFD No. 10 which is being taxed is determined based on the date by which a building permit was issued for the residential parcel, with the amount increasing based on the inflation index prior to the issuance of a building permit and subject to escalation at 2% each year thereafter. The Rate and Method of Apportionment of Special Tax provides that the Special Tax will be levied at the maximum Special Tax that is applicable to each parcel.

\$2,101,417 in Special Taxes are estimated to be levied on 1,183 parcels within CFD No. 10 for Fiscal Year 2007-08. All of the foregoing Special Taxes are expected to be levied on Developed Property as defined in the Rate and Method of Apportionment for CFD No. 10. The merchant builders are expected to complete and sell the remaining homes. The timing of sales cannot be predicted.

CFD No. 10 Special Taxes may be prepaid by paying an amount calculated based on a proportionate amount of bonds outstanding plus any applicable redemption premium plus administrative fees. The Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the Special Tax Fund to be applied for the purposes and in the priorities set forth in the District Bond Indenture. Such funds may be used at any time for the call and redemption of Special Tax Bonds under the terms and conditions set forth in the District Bond Indenture. See "SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds – *Redemption Fund.*"

CFD No. 12 Rate and Method of Apportionment of Special Tax. The Board and the qualified electors of CFD No. 12 adopted and approved the Rate and Method of Apportionment of Special Tax for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes. A copy of the Rate and Method of Apportionment of Special Tax is included herein in APPENDIX B.

Property within CFD No. 12 became classified as taxable Developed Property. All property within CFD No. 12 which is being taxed is classified as Developed Property. The classification of property within CFD No. 12 which is being taxed is determined based on the date by which a building permit was issued for the residential parcel, with the amount increasing based on the construction cost index. The Rate and Method of Apportionment of Special Tax provides that the Special Tax will be levied at the maximum Special Tax that is applicable to each parcel.

\$442,644 in Special Taxes are estimated to be levied on 245 parcels within CFD No. 12 for Fiscal Year 2007-08. All of the foregoing Special Taxes are expected to be levied on Developed Property as defined in the Rate and Method of Apportionment for CFD No. 12. The merchant builders are expected to complete and sell the remaining homes. The timing of sales cannot be predicted.

CFD No. 12 Special Taxes may be prepaid by paying an amount calculated based on a proportional amount of the principal amount of the bonds outstanding plus any applicable redemption premium plus administrative fees. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the Special Tax Fund to be applied for the purposes and in the priorities set forth in the District Bond Indenture. Such funds may be used at any time for the call and redemption of Special Tax Bonds under the terms and conditions set forth in the District Bond Indenture. See "SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds – *Redemption Fund.*"

Special Tax Delinquency

According to the Special Tax collection data provided by the County, as of April 26, 2007, delinquencies in the payment of Fiscal Year 2006-07 special taxes and *ad valorem* taxes for the Community Facilities District generally were higher than the reported delinquency levels for prior Fiscal Years.

The School District is not aware of the causes for the increased delinquencies in the payment of property taxes for Fiscal Year 2006-07, but to the extent these increases in delinquencies are indicative of a trend toward more significant property tax delinquencies, delinquencies in the payment of Special Taxes may continue at similar levels or increase in the near future.

Under each District Bond Indenture, each Community Facilities District has the authority and the obligation to increase the levy of Special Taxes against non-delinquent property owners in that Community Facilities District if other owners in the District are delinquent. However, each Community Facilities District's ability to increase Special Tax levies for this purpose is limited by two factors: (a) the maximum Special Tax rates set forth in each respective Rate and Method and (b) the limitations on such increases set forth in the Mello-Roos Act, which provides that under no circumstances may the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by owner of any other parcel or parcels within the District by more than 10%. Thus a Community Facilities District may not be able to increase Special Tax levies in future Fiscal Years by enough to make up for delinquencies for prior Fiscal Years. This would result in defaults in the payment of principal and interest on the Special Tax Bonds, which in turn could result in draws on the Reserve Fund held by the Trustee for the Bonds, and if delinquencies continue to the extent that the Reserve Fund is depleted, it would become necessary to draw on the Policy issued by the Bond Insurer with respect to the Bonds.

Although each Community Facilities District has covenanted under its respective District Bond Indenture to commence and diligently pursue foreclosure under certain circumstances (see "SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclose"), foreclosure delays may occur due to bankruptcy of delinquent property owners and other circumstances (see "BONDOWNERS' RISKS").

Delinquencies in the payment of property taxes and the Special Taxes may result from any of a number of factors, including the state of the local economy and the local real estate market, affecting individual property owners, which may or may not apply to the property owners in a given District. See "BONDOWNERS' RISKS" generally for discussion of certain potential causes of property tax delinquencies

The following tables illustrate the historical delinquencies for Special Taxes levied for each District from Fiscal Year 2002-03 to and including Fiscal Year 2006-07.

Table 22
Poway Unified School District
Public Financing Authority
Community Facilities District No. 2
Special Tax Delinquency History

Fiscal Year	Parcels Delinquent	Aggregate Special Tax	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Parcels Delinquent as of 4/26/07	Remaining Amount Delinquent as of 4/26/07	Remaining Delinquency Rate as of 4/26/07
2002-03	7	\$767,572.56	\$9,270.20	1.21%	0	\$ 0.00	0.00%
2003-04	6	\$826,662.42	\$7,564.56	0.92%	0	\$ 0.00	0.00%
2004-05	8	\$843,194.08	\$9,644.80	1.14%	0	\$ 0.00	0.00%
2005-06	7	\$860,058.34	\$8,853.93	1.03%	2	\$1,967.54	0.23%
2006-07 ⁽²⁾	24	\$877,255.20	\$33,144.60	3.78%	24	\$33,144.60	3.78%

⁽¹⁾ Reflects fiscal year delinquencies on or about June 30th of the indicated fiscal year.

⁽²⁾ Reflects Fiscal Year 2006-07 delinquencies on or about April 26, 2007.

Source: Dolinka Group, Inc.

Table 23
Poway Unified School District
Public Financing Authority
Community Facilities District No. 4
Special Tax Delinquency History

Fiscal Year	Parcels Delinquent	Aggregate Special Tax	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Parcels Delinquent as of 4/26/07	Remaining Amount Delinquent as of 4/26/07	Remaining Delinquency Rate as of 4/26/07
2002-03	3	\$101,477.20	\$1,179.38	1.16%	0	\$ 0.00	0.00%
2003-04	9	\$290,796.62	\$7,264.26	2.50%	1	\$1,443.66	0.50%
2004-05	29	\$434,656.84	\$23,500.34	5.41%	1	\$804.76	0.19%
2005-06	24	\$622,524.88	\$29,829.43	4.79%	7	\$10,734.20	1.72%
2006-07 ⁽²⁾	79	\$354,019.67	\$56,232.36	7.94%	79	\$56,232.36	7.94%

⁽¹⁾ Reflects fiscal year delinquencies on or about June 30th of the indicated fiscal year.

⁽²⁾ Reflects Fiscal Year 2006-07 delinquencies on or about April 26, 2007.

Source: Dolinka Group, Inc.

Table 24
Poway Unified School District
Public Financing Authority
Community Facilities District No. 8 Improvement Area B
Special Tax Delinquency History

Fiscal Year	Parcels Delinquent	Aggregate Special Tax	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Parcels Delinquent as of 4/26/07	Remaining Amount Delinquent as of 4/26/07	Remaining Delinquency Rate as of 4/26/07
2002-03	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003-04	2	\$73,463.04	\$2,295.72	3.13%	0	\$ 0.00	0.00%
2004-05	4	\$343,242.72	\$8,361.57	2.44%	0	\$ 0.00	0.00%
2005-06	4	\$447,767.64	\$11,365.20	2.54%	2	\$3,88.40	0.85%
2006-07 ⁽²⁾	19	\$485,558.48	\$31,631.56	6.51%	19	\$31,631.56	6.51%

⁽¹⁾ Reflects fiscal year delinquencies on or about June 30th of the indicated fiscal year.

⁽²⁾ Reflects Fiscal Year 2006-07 delinquencies on or about April 26, 2007.

Source: Dolinka Group, Inc.

Table 25
Poway Unified School District
Public Financing Authority
Community Facilities District No. 9
Special Tax Delinquency History

Fiscal Year	Parcels Delinquent	Aggregate Special Tax	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Parcels Delinquent as of 4/26/07	Remaining Amount Delinquent as of 4/26/07	Remaining Delinquency Rate as of 4/26/07
2002-03	1	\$ 61,034.88	\$1,970.70	3.23%	0	\$0.00	0.00%
2003-04	2	\$126,943.14	\$3,015.15	2.38%	0	\$0.00	0.00%
2004-05	0	\$129,481.64	\$0.00	0.00%	0	\$0.00	0.00%
2005-06	0	\$132,071.18	\$0.00	0.00%	0	\$0.00	0.00%
2006-07 ⁽²⁾	2	\$134,712.88	\$2,122.89	1.58%	2	\$2,122.89	1.58%

⁽¹⁾ Reflects fiscal year delinquencies on or about June 30th of the indicated fiscal year.

⁽²⁾ Reflects Fiscal Year 2006-07 delinquencies on or about April 26, 2007.

Source: Dolinka Group, Inc.

**Table 26
Poway Unified School District
Public Financing Authority
Community Facilities District No. 10 Zone 1 and Zone 2
Special Tax Delinquency History**

Fiscal Year	Parcels Delinquent	Aggregate Special Tax	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Parcels Delinquent as of 4/26/07	Remaining Amount Delinquent as of 4/26/07	Remaining Delinquency Rate as of 4/26/07
2002-03	21	\$630,380.40	\$25,029.81	3.97%	0	\$ 0.00	0.00%
2003-04	34	\$1,201,909.12	\$38,891.12	3.24%	1	\$945.57	0.08%
2004-05	18	\$2,053,111.04	\$22,294.60	1.09%	1	\$1,101.34	0.05%
2005-06	28	\$2,149,423.78	\$101,894.11	4.74%	10	\$12,962.26	.60%
2006-07 ⁽²⁾⁽³⁾	80	\$2,060,212.79	\$96,100.81	4.66%	80	\$96,100.81	4.66%

⁽¹⁾ Reflects fiscal year delinquencies on or about June 30th of the indicated fiscal year.

⁽²⁾ Reflects Fiscal Year 2006-07 delinquencies on or about April 26, 2007.

⁽³⁾ Vista Terraza Housing Partners prepaid the Special Taxes relating to the 123-Unit CFD No. 10 Apartment Complex on or about May 10, 2007. The Special Taxes levied in Fiscal Year 2006-07 relating to the 123-Unit CFD No. 10 Apartment Complex owned by Vista Terraza Housing Partners were delinquent but were brought current prior to the prepayment, and the amounts levied in connection with the 123-Unit CFD No. 10 Apartment Complex are excluded from amount shown as the aggregate Special Tax levy.

Source: Dolinka Group, Inc.

**Table 27
Poway Unified School District
Public Financing Authority
Community Facilities District No. 12
Special Tax Delinquency History**

Fiscal Year	Parcels Delinquent	Aggregate Special Tax	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Parcels Delinquent as of 4/26/07	Remaining Amount Delinquent as of 4/26/07	Remaining Delinquency Rate as of 4/26/07
2002-03	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003-04	5	\$284,480.82	\$4,071.26	1.43%	0	\$ 0.00	0.00%
2004-05	2	\$348,312.56	\$3,724.64	1.07%	0	\$ 0.00	0.00%
2005-06	5	\$355,279.48	\$6,273.30	1.77%	2	\$1,573.80	0.44%
2006-07 ⁽²⁾	20	\$367,843.86	\$21,591.61	5.87%	19	\$21,591.61	5.87%

⁽¹⁾ Reflects fiscal year delinquencies on or about June 30th of the indicated fiscal year.

⁽²⁾ Reflects Fiscal Year 2006-07 delinquencies on or about April 26, 2007.

Source: Dolinka Group, Inc.

Special Taxes Are Not Within Teeter Plan

The Special Taxes are not encompassed within the alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the California Revenue and Taxation Code (Section 4701 et seq.), commonly referred to as the “Teeter Plan.” The County of San Diego has adopted a Teeter Plan under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies with the County on the basis of the tax levy, rather than on the basis of actual tax collections. However, by policy, the County does not include special taxes, assessments, or

reassessments in its Teeter Plan. The Special Taxes of each District are not included in the County's Teeter Plan.

BONDOWNERS' RISKS

In addition to the other information contained in this Official Statement, the following risk factors should be carefully considered in evaluating the investment quality of the Bonds. The Authority and the Districts caution prospective investors that this discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Districts to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the Districts to make full and punctual payments of debt service on the Special Tax Bonds which could result in the inability of the Authority to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Districts.

The Bonds

The ability of the Authority to pay the principal of and interest on the Bonds depends upon the receipt by the Trustee of sufficient Revenues from repayment of the Special Tax Bonds, amounts on deposit in the Reserve Fund and interest earnings on amounts in the funds and accounts for the Bonds established by the Authority Indenture. A number of risks that could prevent the Districts from repaying the Special Tax Bonds are outlined below.

Limited Liability of the Authority. Except as expressly provided in the Authority Indenture, neither the Authority, nor the School District or CFD No. 1 in their respective capacities as members of the Authority, will have any obligation or liability of the Owners of the Bonds with respect to the payment when due of the debt service on the Special Tax Bonds by the Districts or with respect to the observance or performance by the Districts of other agreements, conditions, covenants and terms required to be observed or performed by the Districts under their respective District Bond Indentures, or with respect to the performance by the Authority Trustee of any obligation required to be performed by it under the Authority Indenture.

Limited Secondary Market. There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the Authority and the Districts have committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Depletion of Reserve Fund The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement (see "SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund" herein). Funds in the Reserve Fund may be used to pay principal of and interest on the Bonds in the event the proceeds of the Special Tax Bonds debt service are insufficient due to delinquencies in Special Tax payments. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the

applicable Special Tax Bond derived from the levy and collection of the Special Taxes that are in excess of the amount required to pay all amounts to be paid to the Bondowners pursuant to the applicable District Bond Indenture. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Taxes against property within the applicable District, at the maximum tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the applicable Special Tax Bonds.

Loss of Tax Exemption. As discussed under the caption “CONCLUDING INFORMATION – Tax Exemption,” the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of a failure of the Authority or the Districts to comply with certain provisions of the Code. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority has covenanted in the Authority Indenture and the Districts have covenanted in each District Bond Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the Authority or the Districts in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Authority Indenture.

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

Limitations on Remedies. Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds. See “BONDOWNERS’ RISKS – The Bonds – *No Acceleration Provisions*,” and “BONDOWNERS’ RISKS – The Special Tax Bonds – *Billing of Special Taxes*” herein.

No Acceleration Provision. The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Authority Indenture. Pursuant to the Authority Indenture, any Owner of any of the Bonds is given the right for the equal benefit and protection of all Owners similarly situated to pursue certain remedies. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS.”

The Special Tax Bonds

Risks of Real Estate Secured Investments Generally. The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Districts, the supply of or demand for competitive properties in such area, and the market value of property in the event of sale or foreclosure; (ii) changes in real estate tax rate and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fire and floods), which may result in uninsured losses.

Risks Related to Current Real Estate Market Conditions. The housing market in southern California experienced significant price appreciation and accelerating demand since 2002 and recent trends indicate this housing market has weakened, with changes from the recent pattern of price appreciation and a slowdown in demand for new housing. In 2006, home developers, appraisers and market absorption consultants began to report weakening new home market conditions due to factors including but not limited to the following: (i) lower demand for new homes; (ii) significant increase in cancellation rates for homes under contract; (iii) the exit of speculators from the new home market; (iv) a growing supply of new and existing homes available for purchase; (v) increase in competition for new homes orders; (vi) prospective home buyers having a more difficult time selling their existing homes in the more competitive environment; and (vii) higher incentives required to stimulate new home orders or to induce home buyers not to cancel purchase contracts.

Adjustable Rate and Unconventional Mortgage Structures. Since the end of 2002, many persons have financed the purchase of new homes using loans with little or no down payment and with adjustable interest rates that start low and are subject to being reset at higher rates on a specified date or upon the occurrence of specified conditions. Many of these loans allow the borrower to pay interest only for an initial period, in some cases up to 10 years. Currently, in Southern California, a substantial portion of outstanding home loans are adjustable rate loans which were obtained at historically low interest rates. In the opinion of some economists, the significant increase in home prices in this time period has been driven, in part, by the ability of home purchasers to access adjustable rate and non-conventional loans. These economists predict that as interest rates on new loans increase and as the interest rates on existing adjustable rate loans are reset (and payments are increased) there will be a decrease in home sales due to the inability of purchasers to qualify for loans with higher interest rates. They further predict that such a decrease in home sales will, eventually, result in a decrease in home prices. Some economists are concerned that such a reduction in home prices will result in recent homebuyers having loan balances that exceed the value of their homes, given their low down payments and small amount of equity in their homes.

Many borrowers who purchased homes with adjustable rate loans may refinance before the interest reset date to obtain loans with fixed interest rates and payments that are lower than the reset interest rates and the resulting payments. However, many borrowers who purchased homes in recent years may not be able to access replacement financing for their adjustable rate mortgage loans for a number of reasons. Recent news accounts indicate that many borrowers in recent years have financed 100% of the price of their home with adjustable rate loans. In the event there is a decline in home value, such borrowers may not be able to obtain replacement financing because outstanding loan balances exceed the value of their homes. Additionally, according to recent articles in the financial press, there may be a tightening of underwriting criteria for mortgage loans such that lenders no longer offer 100% financing or require stricter verification, higher income to loan ratios, higher credit ratios or some combination of such credit factors. In the event borrowers experience a decline in income or an increase in mortgage interest rates, or both, taxpayers may be less able to pay their special tax payments when due.

For the reasons discussed above, homeowners in the Districts who purchase their homes with adjustable rate loans may experience difficulty in making their loan payments and paying the Special Taxes levied on their property. This could result in an increase in the Special Tax delinquency rate in the Districts and draws on the Reserve Fund. If there were significant delinquencies in Special Tax collections in the Districts and the Reserve Fund was fully depleted, there could be a default in the payment of principal of and interest on the Bonds.

Some economists have also predicted that, as mortgage loan defaults increase bankruptcy filings by such homeowners are also likely to increase. Bankruptcy filings by homeowners with delinquent Special

Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes. See “BONDOWNERS’ RISKS – Bankruptcy and Foreclosure Delay” below.

The Special Tax Bonds are Limited Obligations of the Districts. The Districts have no obligation to pay principal of and interest on the Special Tax Bonds in the event Special Tax collections are delinquent, other than from funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Taxes are delinquent, nor are the Districts obligated to advance funds to pay such debt service on the Special Tax Bonds.

Special Taxes are Not Personal Obligations. The current and future owners of land within the Districts are not personally liable for the payment of the Special Taxes. Rather, the Special Tax is an obligation only of the land within each District. If the value of the land within a District is not sufficient to fully secure the Special Tax, then the District has no recourse against the owner under the laws by which the Special Tax has been levied and the Special Tax Bonds have been issued.

Assessed Value. Prospective purchasers of the Bonds should not assume that the land within a District could be sold for the assessed amount described in this Official Statement at a foreclosure sale for delinquent Special Taxes. The assessed value summarized hereto estimates the fee simple interest assessed value of the property within each District. This value is merely the amount of the assessed value in the records maintained by the County Assessor. The Authority and the Districts have not sought the present opinion of any appraiser of the value of the Taxable Property.

The assessed value relates to sale by a willing seller to a willing buyer at a point in time, as adjusted by State law. Consequently, the assessed value is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

No assurance can be given that if any of the Taxable Property in a District should become delinquent in the payment of Special Taxes, and be foreclosed upon, that such property could be sold for the assessed value. See “THE DISTRICTS – Assessed Values.”

Value to Lien Ratios. Value to lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value to lien ratio is mathematically a fraction, the numerator of which is the value of the property (usually either the assessed value or a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes. A value to lien ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are especially sensitive to economic cycles. A downturn of the economy may depress land values and hence the value-to-lien ratios. Further, the value-to-lien ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a 1:1 ratio, the land is worth less than the debt on it.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. They typically do not coordinate their bond issuances. Debt issuance by another entity can dilute value-to-lien ratios. See “THE DISTRICTS – Direct and Overlapping Debt.”

Limited Obligation. Neither the faith and credit nor the taxing power of the School District, the State or any political subdivision thereof other than each District is pledged to the payment of the Special Tax Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Special Tax Bonds. The Special Tax Bonds are not general or special obligations of the School District, the State or any political subdivision thereof nor general obligations of the Districts, but are special obligations of each

District, payable solely from Net Special Taxes and the other assets pledged therefor under each District Bond Indenture.

Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property. While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to priority and parity liens and similar claims.

The tables in the section entitled “THE DISTRICTS – Direct and Overlapping Debt” state the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property and furthermore states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The tables do not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Taxes securing the Bonds.

In general, as long as the Special Taxes are collected on the County tax roll, the Special Taxes and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Taxes will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Taxes or not, this result may not apply in the case of bankruptcy.

While governmental taxes, assessments and charges are a common claim against the value of a parcel of Taxable Property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Taxes is a claim with regard to a hazardous substance. See “Hazardous Substances” below.

Disclosure to Future Purchasers. Each District recorded a Notice of the Special Tax Lien for the territory included in such District in the Office of the County Recorder of the County as described in “THE DISTRICTS – General.” While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a commercial facility or residential units or the lending of money thereon. The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Taxes when due.

Special Tax Delinquencies. In order to pay debt service on the Special Tax Bonds, it is necessary that the Special Taxes within each District be paid in a timely manner. Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Special Tax Bonds are derived, are customarily billed to the properties within the Districts on the regular *ad valorem* property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular *ad valorem* property tax installments. The unwillingness or inability of a property owner to pay *ad valorem* property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. If a substantial number of homeowners fail to pay the Special Taxes when due there could be significant special tax delinquencies.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Special Tax Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the District of the proceeds of sale. Such a delay could adversely affect the Authority's ability to pay principal of or interest on the Bonds.

See "SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure," for a discussion of the provisions which apply, and procedures which the Districts are obligated to follow under each District Bond Indenture, in the event of delinquencies in the payment of Special Taxes. See "Bankruptcy and Foreclosure Delay" below, for a discussion of limitations on each District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

Bankruptcy and Foreclosure Delay. The payment of Special Taxes and the ability of a District to foreclose the lien of a delinquent Special Taxes as discussed in the section herein entitled "SOURCES OF PAYMENT FOR THE BONDS" may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a judicial foreclosure may be delayed due to congested local court calendars or procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the obligation to pay the Special Tax to become extinguished, bankruptcy of a property owner or of a partner or other equity owner of a property owner, could result in a stay of enforcement of the lien for the Special Taxes, a delay in prosecuting Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Special Taxes and could result in the possibility of delinquent Special Taxes not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent Special Taxes not being paid in full. Moreover, amounts received upon foreclosure sales may not be sufficient to fully discharge delinquent installments.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property

owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. The court upheld the priority of unpaid taxes imposed after the filing of the bankruptcy petition as “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was to foreclose on the property and retain all of the proceeds of the sale except the amount of the pre-petition taxes.

According to the court’s ruling, as administrative expenses, post-petition taxes would have to be paid, assuming that the debtor has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien, which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Taxes levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent for bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of Special Tax received from parcels whose owners declare bankruptcy could be reduced.

It should also be noted that on October 22, 1994, Congress enacted 11 U.S. C. Section 362(b)(18), which added a new exception to the automatic stay for *ad valorem* property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Pursuant to this new provision of law, in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for *ad valorem* taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S. C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like *ad valorem* taxes for this purpose.

In addition, potential investors should be aware that judicial foreclosure proceedings are not summary remedies and can be subject to significant procedural and other delays caused by crowded court calendars and other factors beyond control of the District or the School District. Potential investors should assume that, under current conditions, it is estimated that a judicial foreclosure of the lien of Special Taxes will take up to two or three years from initiation to the lien foreclosure sale. At a Special Tax lien foreclosure sale, each parcel will be sold for not less than the “minimum bid amount” which is equal to the sum of all delinquent Special Tax installments, penalties and interest thereon, costs of collection (including reasonable attorneys fees), post-judgment interest and costs of sale. Each parcel is sold at foreclosure for the amounts secured by the Special Tax lien on such parcel and multiple parcels may not be aggregated in a single “bulk” foreclosure sale. If any parcel fails to obtain a “minimum bid,” the District may, but is not obligated to, seek superior court approval to sell such parcel at an amount less than the minimum bid. Such Superior Court approval requires the consent of the owners of 75% of the aggregate principal amount of the Outstanding Bonds.

Other laws generally affecting creditors’ rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six month period after termination of such military service to redeem property sold to enforce the collection of a tax or assessment, and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

Exempt Properties. Certain parcels (primarily park sites and open space areas) are exempt from the Special Tax in accordance with each Rate and Method of Apportionment and applicable provisions of the

Act. The Act provides that properties or entities of the State, federal or local government are exempt from the Special Tax; *provided, however*, that property within the Districts acquired by a public entity through negotiated transactions, or by gift or devise, which is not otherwise exempt from the Special Tax will continue to be subject to the Special Tax. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested. If for any reason property subject to the Special Tax becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, or another public agency, subject to the limitation of the maximum authorized rate of levy, the Special Tax may be reallocated to the remaining taxable properties within the Districts. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax; however, the amount of Special Tax to be levied and collected from the property owner is subject to the Maximum Special Tax as set forth in each Rate and Method of Apportionment. If a substantial portion of land within the Districts became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Special Tax Bonds when due and a default will occur with respect to the payment of such principal and interest.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax. The Act would prohibit the Board from adopting a resolution to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the Board determined that the reduction or termination of the Special Tax “would not interfere with the timely retirement” of the Special Tax Bonds. See “ – *Right to Vote on Taxes Act*” below.

Maximum Rates. Within the limits of the each Rate and Method of Apportionment, each District may adjust the Special Tax levied on all property within the District to provide an amount required to pay debt service on its Special Tax Bonds and other obligations of the District, and to pay all of its annual Administrative Expenses, costs relating to the Surety Bond and make its rebate payments to the United States government. However, the amount of the Special Tax that may be levied against particular categories of property within a District is subject to the maximum rates provided in the applicable Rate and Method of Apportionment. There is no assurance that the maximum rates will at all times be sufficient to pay the amounts required to be paid by the District Bond Indentures. See “SOURCES OF PAYMENT FOR THE BONDS – The Special Tax Bonds” and “THE DISTRICTS – Rates and Methods of Apportionment of Special Tax.”

Insufficiency of Special Taxes. Under each Rate and Method of Apportionment, the annual amount of Special Tax to be levied on each taxable parcel in the Districts will be based primarily on whether such parcel is developed or not and, for Developed Property, on the type of structure and square footage of buildings constructed. See APPENDIX B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.”

District Formation. California voters, on June 6, 1978, approved an amendment (“Article XIII A”) to the California Constitution. Section 4 of Article XIII A, requires a vote of two-thirds of the qualified electorate to impose “special taxes,” or any additional *ad valorem*, sales or transaction taxes on real property. At an election held pursuant to the Act, more than two-thirds of the qualified electors within each District, consisting of the landowners within the boundaries of the applicable District, authorized such District to incur bonded indebtedness to finance the applicable project and approved the applicable Rate and Method of Apportionment. The Supreme Court of the State of California has not yet decided whether

landowner elections (as opposed to resident elections) satisfy requirements of Section 4 of Article XIII A, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a “special tax” for purposes of Article XIII A.

Section 53341 of the Act requires that any action or proceeding to attack, review, set aside, void or annul the levy of a special tax or an increase in a special tax pursuant to the Act shall be commenced within 30 days after the special tax is approved by the voters. No such action has been filed with respect to the Special Tax.

Billing of Special Taxes. A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by the district.

Under provisions of the Act, the Special Taxes are billed to the properties within each District which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See “SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which each District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Collection of Special Tax. In order to pay debt service on the Bonds, it is necessary that the Special Tax levied against land within each District be paid in a timely manner so that debt service on the Special Tax Bonds is paid in a timely manner. Each District has covenanted in the applicable District Bond Indenture under certain conditions to institute foreclosure proceedings against property with delinquent Special Taxes in order to obtain funds to pay debt service on the Special Tax Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the Authority as the owner of the Special Tax Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the Board to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the Board with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See “SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure.”

Seismic Conditions. The Districts are located in a seismically active region in Southern California. Active faults which could cause significant ground shaking over the Districts include, but are not limited to, the Rose Canyon fault zone (approximately 20 miles west), the Elsinore fault zone (approximately 23 miles northeast), the San Jacinto fault zone (approximately 45 miles northeast) and the San Andreas fault zone (approximately 72 miles northeast). Earthquakes of magnitude of 6 (Rose Canyon fault) to 8 (San Andreas fault) on the Richter scale are possible.

In the event of a severe earthquake, there may be significant damage to both property and infrastructure in the Districts. As a result, the property owners may be unable or unwilling to pay the Special Taxes when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in the Districts could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes. Development within the Districts has been built in accordance with applicable building codes, including requirements relating to seismic safety. No assurances can be given that any earthquake insurance will be obtained as to any of the improvements within the Districts.

Hazardous Substances. While government taxes, assessments, and charges are a common claim against the value of a taxed parcel, other less common claims can occur. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Taxes is a claim with regard to hazardous substances. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or “Superfund Act,” is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels be affected by a hazardous substance, would be to reduce the marketability and value by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the Districts resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly adversely affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

Right to Vote on Taxes Act. An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC (“Article XIIC”) and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative have not yet been interpreted by the courts, although a number of lawsuits have been filed requesting the courts to interpret various aspects of the Initiative.

Among other things, Section 3 of Article XIII states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure, which includes notice hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Special Tax Bonds.

It may be possible, however, for voters or the Districts to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Special Tax Bonds but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Special Tax Bonds.

Like its antecedents, Proposition 218 is likely to undergo both judicial and legislative scrutiny before its impact on the Districts and its obligations can be determined. Certain provisions of Proposition 218 may be examined by the courts for their constitutionality under both State and federal constitutional law. The Districts are not able to predict the outcome of any such examination. The Districts have covenanted in each District Bond Indenture not to modify the maximum authorized Special Taxes in a manner which would prohibit the District from levying the Special Tax in any Fiscal Year at such a rate as could generate Special Taxes in each Fiscal Year at least equal to 110% of Annual Debt plus the Administrative Expense Requirements.

The foregoing discussion of Proposition 218 should not be considered an exhaustive or authoritative treatment of the issues. The Districts do not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Proposition 218 on the Special Tax Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of Proposition 218.

Ballot Initiatives and Legislative Measures. The Initiative was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the School District or local districts to increase revenues or to increase appropriations or on the ability of a property owner to complete the development of the property.

THE AUTHORITY

The Authority is a joint powers authority established by the School District and CFD No. 1 and constitutes a public instrumentality of the State. The Authority was formed for the public purpose of

assisting in financing public capital improvements of the School District. The debts of the Authority are not an obligation of either the School District or CFD No. 1. The Authority was formed pursuant to a joint powers agreement approved and executed by the School District and CFD No. 1 dated as of October 21, 2002. The Authority is governed by a five-member Board of Directors which consists of all members of the Board. The President of the Board has been appointed the President of the Authority. The School District Superintendent acts as the Secretary of the Authority.

The Joint Powers Act provides for the issuance of revenue bonds of joint powers authorities, such as the Authority, to be repaid solely from the revenues of certain public obligations, such as the Special Tax Bonds. The Authority has no taxing power. Pursuant the Joint Powers Act, the Authority is authorized to issue its revenue bonds for the purpose of financing, among other things, public capital improvement projects or to refund outstanding obligations of local entities.

The Bonds are being sold to provide money to enable the Authority to purchase the Special Tax Bonds. On April 10, 2007, by the adoption of Resolution No. 64-2007, the Authority authorized the execution of the Authority Indenture and the purchase of the Special Tax Bonds.

THE AUTHORITY IS NOT OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS, EXCEPT FROM REVENUES RECEIVED BY THE AUTHORITY. THE SCHOOL DISTRICT HAS NO LIABILITY WITH RESPECT TO THE PAYMENT OF THE BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR THE SCHOOL DISTRICT IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

The Authority may issue obligations other than the Bonds, which other obligations are and will be secured by instruments and revenues separate and apart from the Authority Indenture and the Bonds. The holders of such obligations of the Authority have no claim on the security of the Bonds and the owners of the Bonds will have no claim on the security of such other obligations issued by the Authority.

CONCLUDING INFORMATION

Tax Exemption

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, *provided, however*, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the Districts comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Districts have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Absence of Litigation

No litigation is pending or threatened concerning the validity of the Bonds or the Special Tax Bonds. There is no action, suit or proceeding known by the Authority or the Districts to be pending at the present time restraining or enjoining the delivery of the Bonds or the Special Tax Bonds, or in any way contesting or affecting the validity of the Bonds or the Special Tax Bonds or any proceedings of the Authority or the Districts taken with respect to the execution thereof. No litigation certificates executed by the Authority and the Districts will be delivered to the Underwriter simultaneously with the delivery of the Bonds.

No General Obligation of Authority, School District or Districts

The Bonds are not general obligations of the Authority, School District or the Districts, but are limited obligations of the Authority payable from Revenues derived from the Special Tax Bonds. The Special Tax Bonds are not general obligations of the Districts, but are limited obligations of the Districts District payable solely from proceeds of the Special Taxes and proceeds of the Special Tax Bonds,

including amounts in the Special Tax Fund and Bond Service Fund and investment income on funds held pursuant to the District Bond Indentures (other than as necessary to be rebated to the United States of America pursuant to Section 148(f) of the Code and any applicable regulations promulgated pursuant thereto). Any tax levied for the payment of the Special Tax Bonds shall be limited to the Special Taxes to be collected within the applicable District.

Legal Opinion

All proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Best Best & Krieger LLP, San Diego, California, Bond Counsel for the Authority and the Districts in connection with the Bonds and the Special Tax Bonds. The unqualified opinion of Bond Counsel approving the validity of the Bonds will be attached to each Bond, and the form of such opinion is attached hereto as APPENDIX E. Bond Counsel's employment is limited to a review of legal procedures required for the approval of the Bonds and the Special Tax Bonds and to rendering an opinion as to the validity of the Bonds and the Special Tax Bonds and the exemption of interest on the Bonds from income taxation. Certain legal matters will also be passed upon by McFarlin & Anderson LLP, Lake Forest, California, as Disclosure Counsel. Best Best & Krieger LLP will also pass upon certain legal matters for the Authority, the School District and the Districts as special counsel to these entities. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Ratings

Standard & Poor's Ratings Services ("Standard & Poor's"), a division of The McGraw-Hill Companies, Inc., and Fitch Ratings are expected to assign a rating of "AAA" and "AAA," respectively, to the Bonds, with the understanding that, upon delivery of the Bonds, the Insurance Policy will be issued by Ambac Assurance. In addition, Standard & Poor's has assigned an underlying rating (i.e., not taking into account the Insurance Policy) of "A-". Such ratings reflect only the views of such organizations and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same at the following addresses: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any of such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by either rating agency, if in the judgment of such rating agency, circumstances so warrant. Except as set forth in the Continuing Disclosure Agreement, the Authority and the Districts undertake no responsibility to bring to the attention of Owners of the Bonds any downward revision or withdrawal of a rating. The Authority and the Districts undertake no responsibility to oppose any such revision or withdrawal.

Underwriting

The Bonds are being purchased by Stone & Youngberg LLC (the "Underwriter") at a purchase price of \$69,113,934.55 (which represents the principal amount of the Bonds of \$69,945,000.00 less the Net Original Issue Discount of \$131,615.45 and less the Underwriter's discount of \$699,450.00). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Professional Fees

Fees payable to certain professionals, including the Underwriter, McFarlin & Anderson LLP, as Disclosure Counsel, Best Best & Krieger LLP, as Bond Counsel, Zions First National Bank, as the Trustee and as the Fiscal Agent, Ambac Assurance and the rating agencies are contingent upon the issuance of the Bonds. The fees of Dolinka Group, Inc., as Special Tax Consultant, are in part contingent upon the issuance of the Bonds.

Additional Information

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority, the Districts or the School District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority and the School District and on behalf of the Districts.

POWAY UNIFIED SCHOOL DISTRICT PUBLIC
FINANCING AUTHORITY AND POWAY UNIFIED
SCHOOL DISTRICT ON BEHALF OF AND FOR
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NOS. 2, 4, 8, 9,
10 AND 12

By: /s/ John P. Collins
John P. Collins, Deputy Superintendent of the
Poway Unified School District as Auditor and
Treasurer of the Poway Unified School District
Public Financing Authority and on behalf of
Community Facilities District Nos. 2, 4, 8, 9, 10
and 12 of the Poway Unified School District

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APPENDIX A

GENERAL INFORMATION ABOUT THE POWAY UNIFIED SCHOOL DISTRICT

The following information relating to the School District is included only for the purpose of supplying general information regarding the School District. Neither the faith and credit nor the taxing power of the School District has been pledged to payment of the Bonds, and the Bonds will not be payable from any of the School District's revenues or assets.

Introduction

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the School District. Additional information concerning the School District and copies of the most recent and subsequent audited financial reports of the School District may be obtained by contacting: Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3034, Attention: Deputy Superintendent.

General Information

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California. The School District was established in 1962. The School District provides education instruction for grades K-12 within an approximately 100 square mile area of the County of San Diego (the "County"). The School District currently operates 23 (K-5) elementary schools, six (6-8) middle schools, four comprehensive high schools (9-12), one continuation high school and one (1) adult school. The School District includes the City of Poway, the City of San Diego and unincorporated areas of the County. The School District's projected average daily attendance ("ADA") computed in accordance with State law for the 2006-07 academic year is approximately 31,738 (estimate). As of January 1, 2006, the estimated population within the School District's boundaries was approximately 177,577 and approximately 32,873 students attend schools in the School District.

Administration and Enrollment

The School District is governed by the Board of Education. The five Board members are elected to four-year terms in alternate slates of three and two in elections held every two years. If a vacancy arises during any term, the vacancy is filled by an appointment by a majority vote of the remaining Board members and, if there is no majority, by a special election.

The Superintendent of the School District is responsible for administering the affairs of the School District in accordance with the policies of the Board. The School District also employs a Deputy Superintendent, an Associate Superintendent, two Assistant Superintendents for Learning Support Services and an Assistant Superintendent of Personnel Support Services.

From Fiscal Year 2002-03 through Fiscal Year 2006-07 the School District's enrollment increased by 152, an aggregate of approximately 0.5%. Information concerning enrollment for these years is set forth below:

**Poway Unified School District
Student Enrollment**

Fiscal Year	CBEDS Enrollment	District Average Daily Attendance	District Base Revenue Limit
2002-03	32,754	31,405	\$4,753.00
2003-04	33,031	31,663	4,623.54
2004-05	32,749	31,817	4,809.31
2005-06	32,670	31,524	5,125.00
2006-07	32,873	31,738*	5,527.00

*Estimated.

Source: California Department of Education and the School District.

Labor Relations

As of May 1, 2006, the School District employed approximately 1,862 certificated professionals and approximately 1,729 classified employees. The certificated professionals, except management and some part-time employees, are represented by the bargaining units as noted below:

**Poway Unified School District
District Employees**

Labor Organization	Approximate Number of Employees In Organization	Contract Expiration Date
Poway Federation of Teachers (PFT), Local 2357	1,782	6/30/08 ⁽¹⁾
Service Employees International Union	481	6/30/08
California Schools Employees Association	1,309	6/30/09

⁽¹⁾ The Poway Federation of Teachers (PFT) contract expired July 1, 2006, but is still in effect as of June 30, 2008.

Source: The School District.

Retirement Programs

The School District participates in the State of California Teachers Retirement System (“STRS”). This plan covers certificated employees. The School District’s contribution to STRS for Fiscal Year 2002-03 was \$9,633,674, in Fiscal Year 2003-04 was \$9,263,916, in Fiscal Year 2004-05 was \$9,450,619, in Fiscal Year 2005-06 was \$9,921,195 and in Fiscal Year 2006-07 was approximately \$10,811,684. In order to receive STRS benefits, an employee must be at least 55 years old and have provided ten years of service to California public schools.

The School District also participates in the State of California Public Employees Retirement System (“PERS”). This plan covers all classified personnel who are employed 1,000 more hours per fiscal year. The School District’s contribution to PERS for Fiscal Year 2002-03 was \$2,217,039, in Fiscal Year 2003-04 was

\$4,822,739, in Fiscal Year 2004-05 was \$4,856,272, in Fiscal Year 2005-06 was \$4,878,126 and in Fiscal Year 2006-07 was approximately \$5,041,323.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in retirement benefits. The contribution rates are based on statewide rates set by the STRS and PERS retirement boards. STRS has a substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the School District's share.

The School District offers post retirement benefits for employees up to age 65. The School District's contribution for these benefits for the Fiscal Year ending June 30, 2005 was \$651,520 and for the Fiscal Year ending June 30, 2006 was \$941,918. The School District budgeted approximately \$756,067 for Fiscal Year 2005-06 and approximately \$758,340 for Fiscal Year 2006-07. The program is operated on a pay-as-you go basis and budgets the current costs each year with an increase based on actual health and welfare increases.

Insurance

The School District maintains commercial insurance or self-insurance for property damage, general liability and workers' compensation in such amounts and with such retentions and other terms as the School District believes to be adequate based on actual risk exposures and as may be required by statute.

In 1998, the State of California authorized the School District to operate a Self-Insured Workers' Compensation Plan to finance liabilities arising from employee industrial injuries. The School District responded by implementing such a plan on July 1, 1998. Effective July 1, 2005, the School District joined a fully insured workers' compensation Joint Powers Authority (JPA) known as the Protected Insurance Program for Schools ("PIPS"). The School District retains responsibility for all previous self-insured claims and will manage them until they close. Kennan & Associates is the claims administrator for both self-insured and PIPS claims.

The School District operates a self-insurance program to cover general liability claim losses up to a limit of \$50,000 per claim and for property losses up to \$25,000 per claim. Lower self-insured retentions apply to boiler and machinery/energy systems (\$1,000 per claim) and crime losses (\$500 per claim). Excess property and liability insurance is acquired through a combination of pooling through a joint powers authority and purchase of commercial insurance and reinsurance policies. For example, one JPA (the Southern California Regional Liability Excess Fund) furnishes \$5,000,000 in government liability coverage and a second JPA (the Schools Excess Liability Fund) provides coverage from \$5,000,001 to \$15,000,000. Effective July 1, 2007, the Southern California Regional Liability Excess Fund ("SCR") coverage will increase from \$5,000,000 to \$25,000,000, replacing and expanding the limits of the coverage formerly provided by the Schools Excess Liability Fund ("SELF").

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APPENDIX B

RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX

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RATE AND METHOD OF APPORTIONMENT FOR COMMUNITIES FACILITIES DISTRICT NO. 2 OF THE POWAY UNIFIED SCHOOL DISTRICT

An Annual Special Tax and a One-Time Special Tax shall be levied on and collected in Community Facilities District No. 2 ("CFD No. 2") of the Poway Unified School District (the "School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in CFD No. 2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

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

"Administrative Expenses" means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of CFD No. 2.

"Annual Special Tax" means the Special Tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Annual Special Tax Requirement.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (1) the debt service on all Bonds or other indebtedness or other periodic costs on the Bonds or other indebtedness of CFD No. 2, (2) the cost of acquisition or construction of future Facilities, (3) Administrative Expenses of CFD No. 2, (4) the costs associated with the release of funds from an escrow account, (5) any amount required to establish or replenish any reserve funds established in association with the Bonds or other indebtedness of CFD No. 2, (6) lease payments for existing or future Facilities, and (7) any other payments permitted by law.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

"Assigned Annual Special Tax" means the Annual Special Tax on an Assessor's Parcel of Developed Property determined pursuant to Section C.1.a.i. below.

"Assistant Superintendent of Business" means the Assistant Superintendent of Business of the School District or his/her designee.

"Attached Unit" means an Assessor's Parcel of Residential Property that consists of or shall consist of a building or buildings in which each of the individual Units have at least one common wall with another Unit.

"Board" means the Board of Education of the School District or its designee.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, which obligation may be incurred by CFD No. 2.

"Building Square Footage" or "BSF" for any Residential Property means the square footage of internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel.

"CFD No. 2" means Community Facilities District No. 2 established by the School District under the Act.

"County" means the County of San Diego.

"Detached Unit" means an Assessor's Parcel of Residential Property which is not an Attached Unit.

"Developed Property" means all Assessor's Parcels in CFD No. 2 for which building permits for new construction were issued on or before March 1 of the prior Fiscal Year.

"Exempt Property" means the property designated as being exempt from Special Taxes in Section H.

"Facilities" means those school facilities (including land for school sites and required environmental mitigation) and other facilities which the School District is authorized by law to construct, own or operate and which would service the properties within CFD No. 2.

"Final Subdivision Map" means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates building sites, recorded in the County Office of the Recorder.

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

"Gross Prepayment Amount" for any Assessor's Parcel of Developed Property means that gross prepayment amount calculated as provided in Section E.1.

"Index" means the Lee Saylor Class D Construction Index published by the State Allocation Board. In the event the Lee Saylor Class D Construction Index ceases to be published, the index used by the State Allocation Board in place of the school construction cost index, currently found in the monthly meeting agenda of the Lee Saylor Class D Construction Index shall be applied.

"Initial Assigned Annual Special Tax" means the Assigned Annual Special Tax for an Assessor's Parcel which has been designated as Developed Property for the first time in that Fiscal Year.

"Land Use Class" means any of the classes of Developed Property listed in Table 1.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, that can be levied by CFD No. 2 in any Fiscal Year on Taxable Property.

"One-Time Special Tax" means the single payment Special Tax to be levied in any Fiscal Year on each Assessor's Parcel of Undeveloped Property.

"Partial Prepayment Amount" means the dollar amount required to prepay a portion of the Annual Special Tax obligation on any Assessor's Parcel, determined pursuant to Section F.

"Prepayment Amount" means the dollar amount required to prepay all of the Annual Special Tax obligation on any Assessor's Parcel, determined pursuant to Section E.

"Proportionately" means that the ratio of the actual Annual Special Tax levy to the applicable Maximum Annual Special Tax is equal for all applicable Assessor's Parcels.

"Residential Property" means all Assessor's Parcels of Developed Property for which the building permit was issued for purposes of constructing a Unit(s).

"Senior Citizen Housing Unit" means an Assessor's Parcel of Residential Property within CFD No. 2 designated as senior citizen housing, residential care facilities for the elderly, or multi-level care facilities for the elderly as referred to in California Government Code Section 65995.1. For purposes hereof, it shall be sufficient to designate units as Senior Citizen Housing if Senior Citizen Restrictions have been effected.

"Senior Citizen Restriction" means (i) a restriction limiting the use of Units to senior citizen housing under the Subarea Plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property.

"Subarea Plan" means the Torrey Highlands Subarea Plan, draft dated June 10, 1996, and any amendments or implementing resolutions with respect hereto that do not increase the number of Units or other development affecting the need for Facilities.

"**Taxable Property**" means all Assessor's Parcels within the boundaries of CFD No. 2 which are not exempt from the Special Tax pursuant to law or Section H below.

"**Undeveloped Property**" means all Assessor's Parcels in CFD No. 2 for which no building permit was issued on or before March 1 of the prior Fiscal Year.

"**Unit**" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units. Each Unit shall be classified as either a Detached Unit or an Attached Unit.

**SECTION B
ASSIGNMENT TO LAND USE CLASSES**

For each Fiscal Year, beginning with Fiscal Year 1996-97, all Taxable Property within CFD No. 2 shall be classified as Developed Property, Undeveloped Property or Exempt Property, and each Assessor's Parcel of Developed Property shall be assigned to a Land Use Class by reference to Table 1.

TABLE 1

<i>DEVELOPED PROPERTY LAND USE CLASSES FOR CFD NO. 2</i>	
Land Use Class	Land Use
1	Detached Unit
2	Attached Unit
3	Senior Citizen Housing Unit

**SECTION C
MAXIMUM SPECIAL TAX**

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the amount derived by the application of the Assigned Annual Special Tax, plus (ii) the amount of any portion of the One-Time Special Tax that is not collected at building permit with respect to an Assessor's Parcel of Undeveloped Property which may be levied on such Assessor's Parcel when classified as Developed Property in the following Fiscal Year. The Initial Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 1996-97 shall be the amount determined by reference to Table 2.

TABLE 2

INITIAL ASSIGNED ANNUAL SPECIAL TAXES FOR DEVELOPED PROPERTY		
Land Use Class	Land Use	Initial Assigned Annual Special Tax 1996-97
1	Detached Unit	\$1,565 per Unit
2	Attached Unit	\$645 per Unit
3	Senior Citizen Housing Unit	\$0.00 per Unit

Each July 1, commencing July 1, 1997, the Initial Maximum Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending December 31 of the prior Fiscal Year. For Fiscal Years following the Fiscal Year in which the Initial Maximum Annual Special Tax was applied, the Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Undeveloped Property Maximum Special Tax

The Maximum Special Tax for any Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the sum of the Annual Special Tax and the One-Time Special Tax applicable to such Assessor's Parcel in such Fiscal Year.

a. Annual Special Tax

The Annual Special Tax per acre of an Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall not exceed \$0.00 per acre.

b. One-Time Special Tax

The One-Time Special Tax shall be levied and collected for each Assessor's Parcel of Undeveloped Property on or before the date a building permit for Residential Property is issued for such Assessor's Parcel. The One-Time Special Tax shall be in an amount equal to \$1.84 per square foot of Building Square Footage for Land Use Classes 1 and 2 and \$0.30 per square foot of Building Square Footage for Land Use Class 3. On each March 1, commencing March 1, 1997, the amount of the One-Time Special Tax shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending December 31 of the prior Fiscal Year.

SECTION D
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 1996-97 and for each subsequent Fiscal Year, the Assistant Superintendent of Business shall determine the Annual Special Tax Requirement to be collected from Taxable Property in CFD No. 2 in such Fiscal Year. The Special Tax shall be levied as follows until the amount of the levy equals the Annual Special Tax Requirement:

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

Second: If the sum of the amounts levied on Assessor's Parcels in the first step above is less than the Annual Special Tax Requirement, then the Annual Special Tax shall be levied on each Assessor's Parcel of Undeveloped Property up to the Maximum Special Tax applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

SECTION E
PREPAYMENT OF ANNUAL SPECIAL TAX

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be prepaid. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 2 with written notice of intent to prepay. Within 30 days of receipt of such written notice, CFD No. 2 shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

1. Prior to Issuance of Bonds

Prior to the issuance of any Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property shall be the amount equal to the Gross Prepayment Amount minus the amount of One-Time Special Tax paid with respect to such Assessor's Parcel. The Gross Prepayment Amount for Fiscal Year 1996-97 is (i) \$16,247 for each Detached Unit and (ii) \$6,940 for each Attached Unit. On each July 1, commencing July 1, 1997, the Gross Prepayment Amounts shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending December 31 of the Fiscal Year.

2. Subsequent to Issuance of Bonds

After the issuance of any Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property shall be the amount equal to the Gross Prepayment Amount (as calculated in Section E.1) minus (i) the amount of One-Time Special Tax paid and (ii) the percentage of principal retired in CFD No. 2 with respect to such Assessor's Parcel. The percentage shall be determined by multiplying (a) the amount of regularly scheduled principal that has been retired on such Bonds, times (b) the percentage determined by reference to Table 3.

TABLE 3

PRINCIPAL RETIREMENT PERCENTAGE FOR DEVELOPED PROPERTY		
Land Use Class	Land Use	Principal Retirement Percentage
1	Detached Unit	0.0430% per Unit
2	Attached Unit	0.0184% per Unit

**SECTION F
PARTIAL PREPAYMENT OF SPECIAL TAX**

At the time a residential Final Subdivision Map is recorded for any Taxable Property within CFD No. 2, the property owner filing said Final Subdivision Map for recordation concurrently may elect for all of the Assessor's Parcel created by said Final Subdivision Map to prepay all or any portion of the applicable future Maximum Special Taxes. In order to prepay all or any portion of the applicable future Maximum Special Taxes, the residential Final Subdivision Map must contain at least 25 Detached Units or 50 Attached Units. The partial prepayment of the Annual Special Tax shall be collected at the time of the issuance of a building permit. The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meanings:

- PP = the Partial Prepayment Amount
- P_E = the Prepayment Amount calculated according to Section E
- F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation.

The owner of any Assessor's Parcel who desires such partial prepayment shall notify the Board of (i) such owner's intent to partially prepay the Annual Special Tax obligation and, (ii) the percentage by which the Annual Special Tax obligation shall be prepaid. The Board shall provide the owner with a statement of the amount required for the partial prepayment of the Annual Special Tax obligation for an Assessor's Parcel within ten (10) working days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 2 that there has been a partial prepayment of the Annual Special Tax and shall cause a suitable notice to be recorded in compliance with the Act within 30 days of receipt of such partial prepayment of Annual Special Taxes, to indicate the partial prepayment of Annual Special Taxes and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. The

portion of the Annual Special Tax with respect to any Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax, shall continue to be levied on such Assessor's Parcel.

The amount of the Partial Prepayment Amount deposited in the applicable redemption fund may be in an amount able to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the applicable redemption fund to be used with the next prepayment of Bonds.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Maximum Annual Special Taxes that may be levied on Taxable Property within CFD No. 2 both prior to and after the proposed partial prepayment is at least 1.1 times annual debt service on all Outstanding Bonds.

SECTION G TERMINATION OF SPECIAL TAX

The Annual Special Tax shall be levied for a term of twenty-five (25) Fiscal Years after the last bond series is issued for CFD No. 2, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

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**FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 4
OF THE POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes of Poway Unified School District ("District") Community Facilities District No. 4 ("CFD No. 4"). Special Taxes as herein provided will be levied on and collected in CFD No. 4 each Fiscal Year, in an amount determined through the application of the First Amended Rate and Method of Apportionment described below. All the real property in CFD No. 4, unless exempted by law or by the provisions hereof, will be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

"Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other map recorded at the County.

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

"Actual EDU Deficit" means, for each Final Map Area, the difference between (i) the Actual Final Map Area Quotient and (ii) the Average EDU times the number of Planned Units, provided such result is negative.

"Actual EDU Surplus" means, for each Final Map Area, the difference between (i) the Actual Final Map Area Quotient and (ii) the Average EDU times the number of Planned Units, provided such result is positive.

"Actual Final Map Area Quotient" means the sum of the Projected Development Block Quotients within a Final Map Area.

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 4 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of CFD No. 4 including the Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 4, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 4.

"Affordable Unit" means any Unit subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City or County providing for affordable housing.

"**Annual Special Tax**" means the Special Tax levied in any Fiscal Year on any Assessor's Parcel pursuant to Section K below.

"**Annual Special Tax Requirement**" means the amount required in any Fiscal Year to pay: (i) the debt service on all outstanding Bonds and other periodic costs on all outstanding Bonds or other obligations of CFD No. 4, (ii) Administrative Expenses of CFD No. 4, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds or other obligations of CFD No. 4, (v) lease payments for existing or future Facilities, and (vi) the accumulation of funds reasonably required for future debt service or for the construction, expansion, or rehabilitation of existing or future Facilities, less (vi) any amounts available to pay for debt service and Administrative Expenses pursuant to any bond indenture, fiscal agent, or trust agreement.

"**Assessor's Parcel**" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 4.

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

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

"**Assigned Annual Special Tax**" means the Special Tax of that name described in Section I below.

"**Assigned Unit**" means any of up to 119 Units assigned to this Special Tax Class in writing to the Assistant Superintendent at the Developer's election at the time the applicable Building Permit is issued, provided that each such Unit is an Affordable Unit and/or a Companion Unit. Under no circumstances may the Developer assign more than 119 Units to this Special Tax Class.

"**Assistant Superintendent**" means the Assistant Superintendent, Business Support Services of the School District, or his designee.

"**Average EDU**" means 1.057.

"**Board**" means the Governing Board of Poway Unified School District or its designee as the legislative body of CFD No. 4.

"**Bonds**" means any obligation to repay a sum of money, including obligations in the form of bonds; notes; loans from government agencies, banks, other financial institutions, private businesses, or individuals; long-term contracts; or any other obligations, including any refunding thereof, which may be incurred by CFD No. 4 or the School District and to which Special Taxes are pledged.

"Building Permit" means a permit for the construction of one or more Units. For purposes of this definition, "Building Permit" will not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation.

"Building Square Feet" or **"BSF"** means the square footage of assessable internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit for such Unit.

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

"Certificate of Improved Status" means a written certificate provided to the Assistant Superintendent by the Developer attesting to the completion and acceptance of all necessary infrastructure with respect to an Assessor's Parcel on which a Custom Unit is expected to be constructed.

"CFD No. 4" means Community Facilities District No. 4 established by the School District under the Act.

"City" means the City of San Diego.

"Companion Unit" means a Unit that is not a Senior Unit and which is (i) the second Unit for which a Building Permit is issued on an Assessor's Parcel if the Building Permits for the first two (2) Units are issued sequentially, or (ii) the smaller Unit, measured in terms of Building Square Feet, if the Building Permits are issued simultaneously for the first two (2) Units on an Assessor's Parcel. Additional Units after the second Unit on an Assessor's Parcel will not be classified as a Companion Unit, nor will any Unit on an Assessor's Parcel be classified as a Companion Unit if Building Permits are initially issued for more than two (2) Units on such Assessor's Parcel. In either such case described in the immediately preceding sentence, the Units that may not be classified as Companion Units will be classified as Production Units, provided that such Units are not classifiable as Affordable Units, Custom Units, or Senior Units.

"County" means the County of San Diego.

"Custom Unit" means a Unit identified in writing by the Developer to the Assistant Superintendent at the time a Final Map is recorded as a Unit which is owned or expected to be owned by a party not in the regular course of business of constructing Units or developing property.

"Developed Property" means all Assessor's Parcels for which a Building Permit was issued on or before January 1 of the prior Fiscal Year.

"Developer" means Santaluz, LLC.

"**Developer's Account**" means the account of that name established and maintained by the Assistant Superintendent which will be credited and debited as described in Section D below.

"**Development Block**" means any geographical region within a Final Map Area identified by the Developer no later than the time of the recordation of the first Final Map within a Final Map Area as sold or intended to be sold to a single purchaser.

"**Development Block Special Tax**" means the Special Tax of that name as described and calculated in Section G.

"**Equivalent Dwelling Unit**" or "**EDU**" means that number assigned to each Special Tax Class in accordance with Table 1.

"**Excess Affordable Unit**" means any Affordable Unit which is not an Assigned Unit.

"**Excess Companion Unit**" means any Companion Unit which is not an Assigned Unit.

"**Exempt Property**" means all Assessor's Parcels designated as being exempt from Special Taxes in Section O.

"**Facilities**" means those school facilities (including land, equipment, furniture and technology) and other facilities which the School District is authorized by law to construct, own or operate.

"**Final Map**" means (i) that portion of a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual lots for which Building Permits could be issued or (ii) a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which Building Permits could be issued. The term "Final Map" will not include any parcel map or subdivision map or a portion thereof that does not create individual lots for which a Building Permit may be issued. The term "Final Map" will not include an interim final map or parcel map approved pursuant to provisions of law authorizing or permitting subdivision of land subject to restrictions requiring further subdivision before Building Permits may be issued.

"**Final Map Area**" means any of the geographical regions within CFD No. 4 which are shown as Final Map Areas in Exhibit A.

"**Final Map Area Special Tax**" means the Special Tax of that name as described and calculated in Section F.

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

"Golf Course Property" means any Assessor's Parcel utilized or expected to be utilized, as determined by the Assistant Superintendent, for golf course purposes, including fairways, greens, driving ranges, tennis facilities, club houses, locker rooms, maintenance facilities, garages, pro shops, restaurants, or banquet facilities.

"Gross Floor Area" or "GFA" means the covered and enclosed space determined to be within the perimeter of a commercial/industrial structure, not including any storage areas incidental to the principal use of the development, garage, parking structure, enclosed walkway, or utility or disposal area, as determined by reference to the building permit application for such Assessor's Parcel.

"Gross Prepayment Amount" means any of the amounts of that name shown in Table 5 below.

"Improved Property" means all Assessor's Parcels for which a Final Map has been recorded and on which one or more Custom Units will be built and for which the Developer has completed a Certificate of Improved Status, attesting to the completion and acceptance of all necessary infrastructure.

"Index" means the Marshall & Swift Western Region Class D Wood Frame Index, or if the Marshall & Swift Western Region Class D Wood Frame Index ceases to be published, a reasonably comparable index determined by the Board to estimate changes in school construction costs, or in the absence of such an index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

"Inflator" means the greater of (i) two percent (2.00%) or (ii) the percentage generated from the following equation:

$$(4.00\% \text{ H } 14.13\%) + (\Delta \text{Index} \times 85.87\%)$$

For purposes of this calculation, the change in the Index will be measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

"Lot" means an individual legal lot created by a Final Map for which a Building Permit has been or could be issued, provided that land for which one or more Building Permits have been or could be issued for the construction of one or more model Units shall not be construed as a Lot until such land has been subdivided by a Final Map.

"Maximum Annual Special Tax" means the maximum Special Tax that can be levied by CFD No. 4 in any Fiscal Year on any Assessor's Parcel as defined in Section E.

"Minimum Gross Prepayment Amount" or "MGPA" means \$15,100.46 per EDU in Calendar Year 2000. In each Calendar Year thereafter, the MGPA will be increased by the Inflator.

"Net Prepayment Amount" means any of the amounts of that name shown in Table 5 below.

"One-Time Special Tax" means the single payment Special Tax which will be paid with respect to an Assessor's Parcel prior to a Building Permit being issued by the City or County for such Assessor's Parcel as shown in Table 3 below.

"Planned Unit" means any of the Units listed on the development plan from which the Assistant Superintendent calculated the Projected Development Block Quotient for a Development Block.

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

"Production Unit" means a Unit which is not an Affordable Unit, a Companion Unit, a Custom Unit, or a Senior Unit.

"Projected Development Block Quotient" means the sum of the EDUs of the Planned Units within a Development Block.

"Projected EDU Deficit" means any of those amounts of that name listed in Table 2 below.

"Projected EDU Surplus" means any of those amounts of that name listed in Table 2 below.

"Projected Final Map Area Quotient" means any of those amounts of that name listed in Table 2 below.

"Proportionately" means that the ratio of the actual Annual Special Tax levy to the applicable Special Tax is equal for all applicable Assessor's Parcels.

"Running EDU Total" means, for each Development Block, that number calculated and updated by the Assistant Superintendent pursuant to Section G.

"Running EDU Total Account" means the account of that name established and maintained by the Assistant Superintendent which will be credited and debited as described in Section G below.

"Senior Unit" means a Unit designated as senior citizen housing, residential care facilities for the elderly, or multi-level care facilities for the elderly as referred to in California Government Code Section 65995.1. For purposes hereof, it will be sufficient to designate units as Senior Citizen Housing if Senior Citizen Restrictions have been effected.

"Senior Citizen Restriction" means (i) a restriction limiting the use of Units to senior citizen housing under the Subarea Plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

"Special Tax" means any of the special taxes authorized to be levied by CFD No. 4 pursuant to the Act.

"Special Tax Class" means any of the special tax classes listed in Table.1 below.

"Taxable Property" means all Assessor's Parcels within the boundaries of CFD No. 4 which are not exempt from the Special Tax pursuant to law or Section O below.

"Undeveloped Property" means all Taxable Property which is not Developed Property, Improved Property, or Golf Course Property.

"Unit" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

B. CLASSIFICATION OF PROPERTY

1. Classification of Assessor's Parcels by Land Use

Each Fiscal Year, each Assessor's Parcel will be classified as Exempt Property (as described in Section O) or Taxable Property. All Taxable Property will be further classified as Developed Property (i.e., Assessor's Parcels for which a Building Permit was issued on or before January 1 of the prior Fiscal Year); Improved Property (see definition of Improved Property in Section A); Golf Course Property (see definition of Golf Course Property in Section A; or Undeveloped Property (i.e., all other Assessor's Parcels of Taxable Property).

2. Classification of Units by Special Tax Class

Each Unit will be assigned to a Special Tax Class in accordance with Table 1 below. The EDUs for each Unit is also provided in Table 1 below.

Table 1

Special Tax Classes

Special Tax Class	Description	EDU
1	Production Unit (< 1,500 BSF)	0.25
2	Production Unit (1,500 – 2,249 BSF)	0.50
3	Production Unit (2,250 – 2,749 BSF)	0.75
4	Production Unit (2,750 – 3,149 BSF)	0.75
5	Production Unit (3,150 – 3,749 BSF)	0.75
6	Production Unit (3,750 – 4,049 BSF)	0.75
7	Production Unit (4,050 – 4,499 BSF)	0.85
8	Production Unit (4,500 – 4,999 BSF)	1.10
9	Production Unit (5,000 – 5,499 BSF)	1.40
10	Production Unit (5,500 – 5,999 BSF)	1.50
11	Production Unit (6,000 – 6,499 BSF)	1.60
12	Production Unit (6,500 + BSF)	1.80
13	Custom Unit	2.20
14	Assigned Unit	0.00
15	Excess Companion Unit	0.25
16	Excess Affordable Unit	0.00
17	Senior Unit	0.00

3. Classification of Assessor's Parcels by Final Map Area

Each Assessor's Parcel will be assigned to a Final Map Area in accordance with Exhibit A.

The Projected Final Map Area Quotient for each Final Map Area, as shown in Table 2 below, reflects the sum of the EDUs projected to be constructed within such Final Map Area. The Projected EDU Surplus or Projected EDU Deficit, as applicable, for each Final Map Area, as shown in Table 2 below, reflects the extent to which such Final Map Area is expected to subsidize or be subsidized by other Final Map Areas. A Projected EDU Surplus indicates that the Final Map Area is expected to generate more Special Taxes than needed to mitigate its school facilities impact. Conversely, a Projected EDU Deficit indicates that the Final Map Area is expected to generate insufficient Special Taxes to mitigate its school facilities impact. Therefore, a Projected EDU Surplus indicates that the Final Map Area is subsidizing other Final Map Areas while a Projected EDU Deficit indicates that the Final Map Area is being subsidized by other Final Map Areas. For the entire CFD No. 4, the sum of all the Projected EDU Surpluses and Projected EDU Deficits is approximately zero (0). Therefore, as a whole, CFD No. 4 is expected to produce exactly the amount of Special Taxes needed to mitigate its school facilities impact.

Table 2

**Projected Final Map Area Quotients
and Projected EDU Surpluses/(Deficits)**

Final Map Area	Projected Final Map Area Quotient	Projected EDU Surplus/(Deficit)¹
1	162.30	(56.42)
2	104.85	(16.66)
3	104.25	3.87
4	134.10	24.21
5	41.70	5.77
6	63.80	33.16
7	61.60	32.01
8	55.00	28.58
9	30.80	16.01
10	0.00	0.00
11	48.00	(19.62)
12	47.25	(19.32)
13	55.65	(19.37)
14	56.45	(12.23)

1. These amounts do not sum exactly to zero (0) because of rounding.

4. Classification of Assessor's Parcels by Development Block

At the recordation of the first Final Map in a Final Map Area, each Assessor's Parcel within such Final Map Area will be assigned to a Development Block (i.e., a geographical region within a Final Map Area that has been sold or is intended to be sold by the Developer to a single purchaser). In most cases, there will be several Development Blocks within a Final Map Area. In all cases, the Development Blocks within a Final Map Area, taken together, will make up the entire Final Map Area.

C. DEVELOPMENT PLAN CALCULATIONS

At or before the recordation of the first Final Map in a Final Map Area, the Developer must provide the Assistant Superintendent with a development plan for each Development Block within such Final Map Area. The development plan must be in a form satisfactory to the Assistant Superintendent and must identify the expected EDUs of each Planned Unit (i.e., each Unit expected to be constructed) in such Development Block. Based upon this information (or, if the Developer fails to provide the required information in a form satisfactory to the Assistant Superintendent, then at his own reasonable discretion), the Assistant Superintendent will calculate for each such Development Block (i) a Projected Development Block Quotient (i.e., the sum of the EDUs of the Planned Units within a Development Block), (ii) an Actual EDU Surplus or Actual EDU Deficit, as applicable (see definitions of Actual EDU Surplus and Actual

EDU Deficit in Section A), and (iii) an Actual Final Map Area Quotient (i.e., the sum of the Projected Development Block Quotients).

For each Development Block, the Projected Development Block Quotient will be used in calculating the Development Block Special Taxes, if any, that will be due, as described in Section G. Prior to the issuance of all Bonds, the Actual EDU Surplus or Actual EDU Deficit, as applicable, will be used in calculating the Final Map Area Special Taxes, if any, that will be due for such Final Map Area, as described in Section F. After the issuance of all Bonds, the Actual Final Map Area Quotient will be used in calculating the Final Map Area Special Taxes, if any, that will be due for such Final Map Area, as described in Section F. In addition, prior to the issuance of all Bonds, the Actual EDU Surplus or Actual EDU Deficit, as applicable, will be used in determining the amount, if any, which the Developer's Account must be credited, as described in Section D.

D. DEVELOPER'S ACCOUNT

Prior to the recordation of the first Final Map in CFD No. 4, a Developer's Account will be established, and thereafter will be maintained by the Assistant Superintendent. The Developer's Account will be credited and debited as described below.

1. Credits to Developer's Account

a. Prior to Issuance of All Bonds

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, CFD No. 4 will credit the Developer's Account at the recordation of the first Final Map within a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is greater (i.e., more positive) than a Projected EDU Surplus or Projected EDU Deficit. The amount of the credit will be equal to the dollar equivalent of such excess (i.e., unexpectedly positive) EDUs and will be calculated as described below:

Step One: Subtract the Projected EDU Surplus or Projected EDU Deficit, as applicable, from the Actual EDU Surplus or Actual EDU Deficit, as applicable.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the credit to the Developer's Account.

For convenience, an example of a Developer's Account credit calculation is provided below:

Actual EDU Surplus	4.0
Projected EDU Surplus	2.5
Minimum GPA	\$15,100.46

Credit	=	(4.0- 2.5) x \$15,100.46
	=	\$22,650.69

b. After Issuance of All Bonds

After the issuance of all Bonds, as determined by the Assistant Superintendent, the Developer's Account will not be credited.

2. Debits to the Developer's Account

a. Debits for Final Map Area Special Taxes

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is less than (i.e., more negative) than a Projected EDU Surplus or Projected EDU Deficit. Similarly, after the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual Final Map Area Quotient is less than a Projected Final Map Area Quotient. Whenever a Final Map Area Special Tax is due, the Developer may debit the Developer's Account to pay for some or all of such Final Map Area Special Tax, provided that the Developer's Account contains sufficient credits to cover such debits. If the balance of the Developer's Account is insufficient to cover such debits at such time, the unsatisfied portion of such Final Map Area Special Tax must be paid in cash.

b. Debits After Final Map Recordations

If credits remain in the Developer's Account after at least one Final Map has been recorded in every Final Map Area, the entire balance of the Developer's Account will be debited, the Developer's Account will be closed, and such balance will be reimbursed to the Developer in cash from the next available Bond proceeds after all other obligations have been satisfied.

c. Debits After Issuance of All Bonds

If credits remain in the Developer's Account after the issuance of all Bonds, as determined by the Assistant Superintendent, the entire balance of the Developer's Account will be debited, the Developer's Account will be closed, and such balance will be reimbursed to the Developer in cash from the next available Bond proceeds after all other obligations have been satisfied.

E. MAXIMUM ANNUAL SPECIAL TAX

1. Developed Property

The Maximum Annual Special Tax for each Assessor's Parcel of Developed Property in each Fiscal Year will be the sum of (i) the Assigned Annual Special Tax and (ii) the amount of any portion of any Special Tax previously levied and not collected with respect to the Assessor's Parcel.

2. Improved Property

The Maximum Annual Special Tax for each Assessor's Parcel of Improved Property in each Fiscal Year will be the sum of (i) the Final Map Area Special Tax, (ii) the Development Block Special Tax, (iii) the One-Time Special Tax, and (iv) the greater of (a) the Assigned Annual Special Tax or (b) the Back-Up Annual Special Tax.

3. Golf Course Property

The Maximum Annual Special Tax for each Assessor's Parcel of Golf Course Property in each Fiscal Year will be the One-Time Special Tax.

4. Undeveloped Property

The Maximum Annual Special Tax for each Assessor's Parcel of Undeveloped Property in each Fiscal Year will be the sum of (i) the Final Map Area Special Tax, (ii) the Development Block Special Tax, (iii) the One-Time Special Tax, and (iv) the Assigned Annual Special Tax.

F. FINAL MAP AREA SPECIAL TAX

At the recordation of the first Final Map in a Final Map Area, a Final Map Area Special Tax for the Assessor's Parcels within that Final Map Area will be calculated as described below.

1. Prior to Issuance of All Bonds

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is less than (i.e., more negative) than a Projected EDU Surplus or Projected EDU Deficit. The amount of the Final Map Area Special Tax will be equal to the dollar equivalent of such deficit (i.e., unexpectedly negative) EDUs and will be calculated as described below:

Step One: Subtract the Actual EDU Surplus or Actual EDU Deficit, as applicable, from the Projected EDU Surplus or Projected EDU Deficit, as applicable.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Final Map Area Special Tax.

For convenience, an example of a Final Map Area Special Tax calculation prior to the issuance of all Bonds is provided below:

Projected EDU Deficit	(1.5)	
Actual EDU Deficit	(3.0)	
MGPA	\$15,100.46	
Final Map Area Special Taxes	=	$((-1.5) - (-3.0)) \times \$15,100.46$
	=	\$22,650.69

It should be noted that neither locating a Custom Unit on more than one (1) Lot nor combining Lots for the placement of a Custom Unit will necessarily trigger the levy of a Final Map Area Special Tax prior to the issuance of all Bonds. Such occurrences will trigger the levy a Final Map Area Special Tax prior to the issuance of all Bonds only to the extent that they cause the Actual EDU Surplus or Actual EDU Deficit for the applicable Final Map Area to be less than (i.e., more negative) than the Projected EDU Surplus or Projected EDU Deficit for such Final Map Area.

2. After Issuance of All Bonds

After the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual Final Map Area Quotient is less than a Projected Final Map Area Quotient. The amount of the Final Map Area Special Tax will be equal to the dollar equivalent of such deficit (i.e., unexpectedly negative) EDUs and will be calculated as described below:

Step One: Subtract the Actual Final Map Area Quotient from the Projected Final Map Area Quotient.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Final Map Area Special Tax.

For convenience, an example of a Final Map Area Special Tax calculation after the issuance of all Bonds is provided below:

Projected Final Map Area Quotient	32.0
Actual Final Map Area Quotient	25.5
MGPA	\$15,100.46

Final Map Area Special Taxes	=	(32.0 – 25.5) x \$15,100.46
	=	\$98,152.99

It should be noted that neither locating a Custom Unit located on more than one (1) Lot nor combining Lots for the placement of a Custom Unit will necessarily trigger the levy of a Final Map Area Special Tax after the issuance of all Bonds. Such occurrences will trigger the levy a Final Map Area Special Tax after the issuance of all Bonds to the extent that it is causes the Actual Final Map Area Quotient for the applicable Final Map Area to be less than the Projected Final Map Area Quotient for such Final Map Area.

G. DEVELOPMENT BLOCK SPECIAL TAX

Prior to the issuance of a Building Permit for the construction of a Unit on an Assessor's Parcel, the Development Block Special Tax for such Assessor's Parcel will be calculated as described below.

1. Assignment of Units to Planned Units

Each time a Building Permit is issued for the construction of a Unit, the Assistant Superintendent will assign such Unit to a Planned Unit in such Development Block, provided that no more than one (1) Unit may be assigned to any Planned Unit. In addition, each time a Building Permit is issued for the construction of a Unit, the Assistant Superintendent will update the Running EDU Total for such Development Block. The Assistant Superintendent will perform such assignment and such update as described below.

a. Assignment of Units to Planned Units

The Assistant Superintendent will assign each Unit to a Planned Unit in the following order of priority:

- i. The Assistant Superintendent shall assign the Unit to a Planned Unit with the same number of EDUs as the Unit.
- ii. The Assistant Superintendent shall assign the Unit to a Planned Unit with a lower number of EDUs than the Unit.
- iii. The Assistant Superintendent shall assign the Unit to a Planned Unit with a greater number of EDUs than the Unit.

b. Update of Running EDU Total

The Assistant Superintendent will update the Running EDU Total for each Development Block as follows:

- i. If the Unit is assigned pursuant to Section G.1.a.i. above, then no adjustment shall be made to the Running EDU Total.

- ii. If the Unit is assigned pursuant to Section G.1.a.ii. above, then the Running EDU Total shall be increased by the difference between the EDUs of the Unit and the EDUs of the Planned Unit.
- iii. If the Unit is assigned pursuant to Section G.1.a.iii. above, then the Running EDU Total shall be decreased by the difference between the EDUs of the Planned Unit and the EDUs of the Unit, provided that if such decrease would otherwise reduce the Running EDU Total below zero (0), then the Running EDU Total will be reduced to zero and Development Block Special Tax will be due. In this event, the amount of the Development Block Special Tax will be calculated pursuant to Section G.2 below, and will be paid first by credits in the Running EDU Total Account (see Section G.3. below) to the extent such credits are available, and then, when such credits are not available, in cash, as described in Section G.3.b. below.

It should be noted that a Custom Lot located on more than one (1) Lot will not necessarily trigger the levy a Development Block Special Tax. Such a Custom Unit will only trigger the levy of a Development Block Special Tax to the extent that it reduces the Running EDU Total below zero (0).

2. Calculation of Development Block Special Tax

Subject to the foregoing, the Development Block Special Tax with respect to each Building Permit will be equal to the dollar equivalent of the EDU deficit described in Section G.1.B.iii. above and will be calculated as described below:

- Step One: Add the EDUs of the Unit and the Running EDU Total.
- Step Two: Subtract the result of Step One from the EDUs of the Planned Unit.
- Step Three: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Development Block Special Tax.

For convenience, an example of a Development Block Special Tax calculation is provided below:

EDUs of Planned Unit:	4.0
EDUs of Unit:	2.0
Running EDU Total	1.0
MGPA	\$15,100.46

$$\begin{aligned} \text{Development Block Special Taxes} &= (4.0 - (2.0 + 1.0)) \times \$15,100.46 \\ &= \$15,100.46 \end{aligned}$$

3. Running EDU Total Account

The Assistant Superintendent will establish and maintain a Running EDU Total Account as follows:

a. Credits to Running EDU Total Account

After all the Building Permits expected to be issued within a Development Block have been issued, as determined by the Assistant Superintendent, the Assistant Superintendent will credit Running EDU Total Account in an amount equal to (i) the full amount of the Running EDU Total applicable to such Development Block at such time times (ii) the Minimum Gross Prepayment Amount in effect at such time.

b. Debits to Running EDU Total Account

Whenever a Development Block Special Tax is due, the Assistant Superintendent shall debit the Running EDU Total Account to pay for such Development Block Special Tax, provided that the Running EDU Total Account contains sufficient credits to cover such debits. If the balance of the Running EDU Total Account is insufficient to cover such debits at such time, the unsatisfied portion of such Development Block Special Tax must be paid in cash.

H. ONE-TIME SPECIAL TAX

Prior to the issuance of a Building Permit for any Assessor's Parcel of Undeveloped Property or Improved Property, a One-Time Special Tax will be due. The One-Time Special Tax in each Calendar Year will be calculated in accordance with Table 3 below, subject to adjustment as described below.

Table 3

Calendar Year 2000 One-Time Special Tax

Special Tax Class	Description	CY 2000 One-Time Special Tax
1	Production Unit (< 1,500 BSF)	\$2,000.00 per Unit
2	Production Unit (1,500 – 2,249 BSF)	\$3,444.52 per Unit
3	Production Unit (2,250 – 2,749 BSF)	\$3,927.27 per Unit
4	Production Unit (2,750 – 3,149 BSF)	\$4,768.05 per Unit
5	Production Unit (3,150 – 3,749 BSF)	\$5,445.09 per Unit
6	Production Unit (3,750 – 4,049 BSF)	\$6,242.07 per Unit
7	Production Unit (4,050 – 4,499 BSF)	\$6,857.54 per Unit
8	Production Unit (4,500 – 4,999 BSF)	\$7,674.37 per Unit
9	Production Unit (5,000 – 5,499 BSF)	\$8,320.00 per Unit
10	Production Unit (5,500 – 5,999 BSF)	\$9,198.40 per Unit
11	Production Unit (6,000 – 6,499 BSF)	\$9,998.40 per Unit
12	Production Unit (6,500 + BSF)	\$10,398.40 per Unit
13	Custom Unit	\$13,325.00 per Unit
14	Assigned Unit	\$1,000.00 per Unit
15	Excess Companion Unit	\$2,000.00 per Unit
16	Excess Affordable Unit	\$7,057.21 per Unit
17	Senior Unit	\$0.3314. per BSF
NA	NA	\$0.3314 per GFA

For each Calendar Year after Calendar Year 2000, the One-Time Special Tax will be increased by the Inflator.

I. ASSIGNED ANNUAL SPECIAL TAX

1. Developed Property

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be calculated in accordance with Table 4 below, subject to adjustment as described below.

Table 4

Fiscal Year 2000-01 Assigned Annual Special Tax

Special Tax Class	Description	FY 2000-01 Assigned Annual Special Tax
1	Production Unit (< 1,500 BSF)	\$239.75 per Unit
2	Production Unit (1,500 – 2,249 BSF)	\$479.50 per Unit
3	Production Unit (2,250 – 2,749 BSF)	\$719.25 per Unit
4	Production Unit (2,750 – 3,149 BSF)	\$719.25 per Unit
5	Production Unit (3,150 – 3,749 BSF)	\$719.25 per Unit
6	Production Unit (3,750 – 4,049 BSF)	\$719.25 per Unit
7	Production Unit (4,050 – 4,499 BSF)	\$815.15 per Unit
8	Production Unit (4,500 – 4,999 BSF)	\$1,054.90 per Unit
9	Production Unit (5,000 – 5,499 BSF)	\$1,342.60 per Unit
10	Production Unit (5,500 – 5,999 BSF)	\$1,438.50 per Unit
11	Production Unit (6,000 – 6,499 BSF)	\$1,534.40 per Unit
12	Production Unit (6,500 + BSF)	\$1,726.20 per Unit
13	Custom Unit	\$2,109.80 per Unit
14	Assigned Unit	\$0.00 per Unit
15	Excess Companion Unit	\$239.75 per Unit
16	Excess Affordable Unit	\$0.00 per Unit
17	Senior Unit	\$0.00 per BSF
NA	NA	\$0.00 per GFA

For Custom Units which are located on more than one (1) Assessor's Parcel, the Assigned Annual Special Tax shall be allocated to each Assessor's Parcel prorata based upon the Acreage of each applicable Assessor's Parcel.

For each Fiscal Year after Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be increased by the Inflation. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Assigned Annual Special Tax for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

2. Improved Property

For Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Improved Property will be \$719.25 per Assessor's Parcel. For each Fiscal Year thereafter, the Assigned Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the

prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

3. Undeveloped Property

For Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Undeveloped Property will be \$2,660.00 per acre of Acreage. For each Fiscal Year thereafter, the Assigned Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

J. BACK-UP ANNUAL SPECIAL TAX FOR IMPROVED PROPERTY

Backup-Annual Special Taxes are required in order to ensure that CFD No. 4 will be able to levy a sufficient amount of Annual Special Taxes to satisfy the Annual Special Tax Requirement in the event that development plans change significantly after the issuance of Bonds. Annual Special Taxes will be levied pursuant to the third step of Section K only to the extent necessary to satisfy the Annual Special Tax Requirement.

For Fiscal Year 2000-01, the Back-Up Annual Special Tax for each Assessor's Parcel of Improved Property will be \$2,660.00 per acre of Acreage, provided that no Back-Up Annual Special Tax shall be in effect (i) prior to the issuance of Bonds or (ii) after the issuance of all Bonds. Subject to the foregoing, for each Fiscal Year after Fiscal Year 2000-01, the Back-Up Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

K. METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Assistant Superintendent will determine the Annual Special Tax Requirement to be collected from Taxable Property in such Fiscal Year. The Special Tax will be levied as follows until the amount of the levy equals the Annual Special Tax Requirement:

First: The Annual Special Tax will be levied on each Assessor's Parcel of Developed Property and Improved Property at the Assigned Annual Special Tax.

Second: If the sum of the amounts levied on Assessor's Parcels in the first step is less than the Annual Special Tax Requirement, then an Annual Special Tax will be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax to satisfy the Annual Special Tax Requirement.

Third: If the sum of the amounts levied on Assessor's Parcels in the first and second step is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Improved Property shall be increased Proportionately up to the Back-Up Annual Special Tax to satisfy the Annual Special Tax Requirement.

L. PREPAYMENT OF ANNUAL SPECIAL TAX OBLIGATION

If there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to an Assessor's Parcel, the Annual Special Tax obligation of an Assessor's Parcel for which a Building Permit has been issued may be prepaid in full in the manner described below. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 4 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Assistant Superintendent shall determine the Prepayment Amount of such Assessor's Parcel as described below and shall notify such owner of such Prepayment Amount.

1. Prior to Issuance of All Bonds

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, the Prepayment Amount for an eligible Assessor's Parcel shall be the applicable Net Prepayment Amount less any Partial Prepayment Amounts actually made with respect to such Assessor's Parcel. Table 5 below shows the Net Prepayment Amounts applicable in Calendar Year 2000. For convenience, Table 5 below also shows the derivation of each Net Prepayment Amount, which was determined by subtracting the applicable One-Time Special Tax from the applicable Gross Prepayment Amount.

TABLE 5

Calendar Year 2000 Net Prepayment Amounts

Special Tax Class	CY 2000 Gross Prepayment Amount	CY 2000 One-Time Special Tax	CY 200 Net Prepayment Amount
1	\$15,955.43 per Unit	\$2,000.00 per Unit	\$13,955.43 per Unit
2	\$15,955.43 per Unit	\$3,444.52 per Unit	\$12,501.91 per Unit
3	\$15,955.43 per Unit	\$3,927.27 per Unit	\$12,028.16 per Unit
4	\$15,955.43 per Unit	\$4,768.05 per Unit	\$11,187.38 per Unit
5	\$15,955.43 per Unit	\$5,445.09 per Unit	\$10,510.34 per Unit
6	\$15,955.43 per Unit	\$6,242.07 per Unit	\$9,713.37 per Unit
7	\$15,955.43 per Unit	\$6,857.54 per Unit	\$9,097.89 per Unit
8	\$16,945.50 per Unit	\$7,674.37 per Unit	\$9,271.13 per Unit
9	\$20,119.62 per Unit	\$8,320.00 per Unit	\$11,799.62 per Unit
10	\$21,840.85 per Unit	\$9,198.40 per Unit	\$12,642.45 per Unit
11	\$23,483.68 per Unit	\$9,998.40 per Unit	\$13,485.28 per Unit
12	\$25,569.34 per Unit	\$10,398.40 per Unit	\$15,179.94 per Unit
13	\$31,867.26 per Unit	\$13,325.00 per Unit	\$18,542.26 per Unit
14	\$1,000.00 per Unit	\$1,000.00 per Unit	\$0.00 per Unit
15	\$15,955.43 per Unit	\$2,000.00 per Unit	\$13,955.43 per Unit
16	\$7,057.21 per Unit	\$7,057.21 per Unit	\$0.00 per Unit
17	\$0.3314 per BSF	\$0.3314 per BSF	\$0.00 per Unit

For each Calendar Year after Calendar Year 2000, the Net Prepayment Amounts will be increased by the Inflation.

2. After Issuance of All Bonds

After the issuance of all Bonds, as determined by the Assistant Superintendent, the Prepayment Amount for each eligible Assessor's Parcel shall be the amount calculated as shown below.

Bond Redemption Amount
plus Redemption Premium
plus Defeasance
plus Administrative Fee
less Reserve Fund Credit
equals Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. Divide the Assigned Annual Special Tax for the Assessor's Parcel by the estimated Assigned Annual Special Taxes applicable to all Assessor's

Parcels of Developed Property at build-out, as reasonably determined by the Assistant Superintendent.

2. Multiply the result of paragraph 1 above by the principal amount of Bonds outstanding. The result is the "Bond Redemption Amount."
3. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
4. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 8) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
5. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
6. Subtract the amount computed pursuant to paragraph 5 from the amount computed pursuant to paragraph 4. This difference is the "Defeasance."
7. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
8. Determine the lesser of: (a) the expected reduction in the applicable reserve requirement, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve fund on the prepayment date. If the result is greater than zero, then the result is the "Reserve Fund Credit." If the result is less than zero, then no Reserve Fund Credit shall be given.
9. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the sum of the Assigned Annual Special Taxes applicable to Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

M. PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX OBLIGATION

Prior to the issuance of the first Building Permit in a Development Block, the owner of all the Assessor's Parcels in the Development Block may elect to prepay a portion of the applicable Annual Special Tax obligation for all the Assessor's Parcels in such Development Block. The owner desiring such a partial prepayment shall notify the Assistant Superintendent of (i) such owner's intent to partially prepay the Annual Special Tax obligation and (ii) the percentage by which the Annual Special Tax obligation shall be prepaid. The partial prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of a Building Permit.

The Partial Prepayment Amount shall be calculated as follows:

$$PP = P_L \times F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

PL = the Prepayment Amount calculated according to Section L

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

With respect to an Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall indicate in the records of CFD No. 4 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax obligation shall cease.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the sum of the Assigned Annual Special Taxes applicable to Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

N. TERMINATION OF ANNUAL SPECIAL TAX

The Annual Special Tax will be levied no later than Fiscal Year 2045-46, provided that the Annual Special Tax will cease to be levied in an earlier Fiscal Year if the Assistant Superintendent has determined that (i) all required interest and principal payments on all issued Bonds have been paid and (ii) CFD No. 4 will issue no additional Bonds.

O. EXEMPTIONS

The Assistant Superintendent will classify as Exempt Property (i) properties owned by the State of California, Federal or other local governments except as otherwise provided in Sections 53317.3, 53317.5 and 53340.1 of the Government Code, (ii) properties used as places of worship and which are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) properties owned or designated for use by a homeowners' association, (iv) properties encumbered with public or utility or access easements making impractical their utilization for purposes other than those set forth in the easement, or (v) other properties not used or expected not to be used for commercial/industrial or residential use, as determined at the reasonable discretion of the Assistant Superintendent, provided that no such classification would reduce the Acreage of Taxable Property to less than 522.44 acres.

P. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent not later than one (1) Calendar Year after having paid the first installment of the Special Tax that is disputed. The Assistant Superintendent will promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendent's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund will not be made (except for the last Fiscal Year of levy), but an adjustment will be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

Q. MANNER OF COLLECTION

1. Final Map Area Special Taxes

The Final Map Area Special Tax applicable to a Final Map Area, if any, will be due prior to the issuance of the first Building Permit in such Final Map Area, and shall be levied *pro rata* on each Assessor's Parcel of Taxable Property within such Final Map Area based upon the Acreage of such Assessor's Parcels. Notwithstanding the foregoing, the Assistant Superintendent shall give the Developer written notice of the amount of the Final Map Area Special Tax due at least fifteen (15) days prior to enrolling such Final Map Area Special Tax with the County, provided that the first Building Permit is issued in such Final Map Area at least thirty (30) days prior to the due date for enrolling Special Taxes with the County, and if such written notice is given, then the Developer shall have ten (10) days to pay the Final Map Area Special Taxes before the Assistant Superintendent may enroll the Final Map Area Special Taxes with the County. Moreover, notwithstanding the foregoing, no Building Permits will be issued in such Final Map Area until all Final Map Area Special Taxes which are due for such Final Map Area are paid.

2. Development Block Special Taxes

Development Block Special Taxes due for any Assessor's Parcel in a Final Map Area will be due prior to the issuance of the first Building Permit for such Assessor's Parcel. No Building Permits will be issued for any Assessor's Parcels in such Final Map Area until such Development Block Special Taxes are paid.

3. One-Time Special Taxes

One-Time Special Taxes due for any Assessor's Parcel will be due prior to the issuance of the applicable Building Permit for such Assessor's Parcel.

4. Annual Special Taxes

The Annual Special Taxes will be collected in the same manner and at the same time as regular *ad valorem* property taxes, provided, however, that Annual Special Taxes may be collected at a different time or in a different manner if necessary to meet its financial obligations.

Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendents decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION J
MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that the CFD may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

**RATE AND METHOD OF APPORTIONMENT
OF THE SPECIAL TAX
FOR COMMUNITIES FACILITIES DISTRICT NO. 8
OF THE POWAY UNIFIED SCHOOL DISTRICT
(IMPROVEMENT AREA B)**

Special taxes shall be levied on and collected in Improvement Area B ("IA B") of Community Facilities District No. 8 ("CFD No. 8") of the Poway Unified School District (the "School District") in amounts to be determined through the application of this Rate and Method of Apportionment of the Special Tax ("RMA"). All of the real property in CFD No. 8, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of IA B related to the determination of the amount of the levy of special taxes, the collection of special taxes including the expenses of collecting delinquencies, the administration of Bonds, the cost of complying with disclosure requirements of applicable federal and state security laws and the Act, the costs of the appropriate allocable share of salaries and benefits of any School District employee whose duties are directly related to the administration of IA B, and costs otherwise incurred in order to carry out the authorized purposes of IA B.

"Affordable Unit" means a Unit that (i) is either (a) located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit or (b) is a Companion Unit and (ii) is subject to affordable housing restrictions under any applicable law.

"Annual Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property, pursuant to Section F.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service on all Bonds or other indebtedness or other periodic costs on the Bonds or other indebtedness of IA B, (ii) the cost of acquisition, construction, financing or equipping of future Facilities, (iii) Administrative Expenses, (iv) the costs associated with the release of funds from an escrow account, (v) any amount required to establish or replenish any reserve funds established in association with the Bonds or other indebtedness of IA B, (vi) lease payments for existing or future Facilities, (vii) the accumulation of funds reasonably required for future debt service of Bonds and (viii) any other payments required by law.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

"Assigned Annual Special Tax" means the special tax applicable to an Assessor's Parcel of Developed Property or Undeveloped Property determined pursuant to Section E below.

"Assistant Superintendent" means the Assistant Superintendent, Business Support Services of the School District or his/her designee.

"Attached Unit" means a Unit that (i) is located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit and (ii) is not an Affordable Unit or a Senior Citizen Unit.

"Board" means the Board of Education of the School District or its designee.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, which obligation may be incurred by IA B.

"Building Permit" means a permit for construction of a residential or non-residential structure. For purposes of this definition, "Building Permit" shall not include permits for construction or installation of utility improvements, retaining walls, parking structures or other such improvements not intended for human habitation or commercial/industrial use.

"Building Square Footage" or **"BSF"** means, for an Assessor's Parcel of Residential Property, the square footage of internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel.

"Calendar Year" means the period commencing on January 1 and ending the following December 31.

"CFD No. 8" means Community Facilities District No. 8 established by the School District under the Act.

"Commercial/Industrial Property" means all Assessor's Parcels of Developed Property other than Residential Property.

"Companion Unit" means a Unit of the type defined at page 5 of Exhibit "F" to the Phase I Development Agreement.

"County" means the County of San Diego.

"Detached Unit" means a Unit which is not an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

"Developed Property" means all Assessor's Parcels of Taxable Property for which Building Permits were issued as of January 1 of the prior Fiscal Year.

"Escalation Termination Date" means the date on which all of the Permanent Facilities become completely funded.

"Exempt Property" means the property designated as being exempt from special taxes in Section J.

"Facilities" means those school facilities (including land) and other facilities which the School District is authorized by law to construct, own or operate and which would service the properties within CFD No. 8.

"Final Map" means (i) that portion of a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual lots for which Building

Permits could be issued or (ii) for condominiums, a Final Map and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots. The term "Final Map" shall not include any parcel map or subdivision map or a portion thereof that does not create individual lots for which a Building Permit may be issued. The term "Final Map" shall not include an interim final map or parcel map approved pursuant to provisions of law authorizing or permitting subdivision of land subject to restrictions requiring further subdivision before Building Permits may be issued.

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

"Gross Floor Area" or "GFA" means, for an Assessor's Parcel of Commercial/Industrial Property, the covered and enclosed space determined to be within the perimeter of a commercial or industrial structure, not including any storage areas incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposal area. The determination of Gross Floor Area shall be made by the Assistant Superintendent in accordance with the standard practice of the building department of the City.

"Gross Prepayment Amount" for any Assessor's Parcel means that gross prepayment amount determined by reference to Table 3 and adjusted as set forth in Section G.

"Improvement Area B" or "IA B" means the area identified as Improvement Area B on the Community Facilities District Map, attached hereto as Exhibit A.

"Index" means the Marshall & Swift Western Region Class D Wood Frame Index, or if the Marshall & Swift Western Region Class D Wood Frame Index ceases to be used by the State Allocation Board, a reasonably comparable index used by the State Allocation Board to estimate changes in school construction costs, or in the absence of such an index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

"Inflator" means the greater of (i) 2.00% or (ii) the percentage generated from the following equation: $4.00\% \times 17.45\% + \Delta\text{Index} \times 82.55\%$, where ΔIndex is the change in the Index as measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

"Maximum Special Tax" means the maximum special tax, determined in accordance with Section C, that can be levied on any Assessor's Parcel in IA B in any Fiscal Year.

"One-Time Special Tax" means the single payment special tax which shall be paid to IA B for each Assessor's Parcel of Undeveloped Property, determined pursuant to Section D.

"Partial Prepayment Amount" means the dollar amount required to prepay a portion of the Annual Special Tax obligation on any Assessor's Parcel, determined pursuant to Section H.

"Permanent Facilities" means all Facilities except interim relocatable classroom facilities and central administrative facilities.

"Phase I Development Agreement" means the "Second Amended and Restated Development Agreement between the City of San Diego and Black Mountain Ranch Limited Partnership Negotiated and Entered into Pursuant to City Council Policy 600-37 Adopted by the City Council on August 9, 1988 and as Amended on September 13, 1988," which agreement was approved by the City Council, by adoption of Ordinance No. 0-97-83, which ordinance became effective April 16, 1997, and which agreement was recorded in the official records of the County, June 30, 1997, as Document No. 1997-0307774.

"Planning Area" means any of the areas designated as a Planning Area on the Community Facilities District Map, attached hereto as Exhibit A.

"Prepayment Amount" means the dollar amount required to prepay all of the Annual Special Tax obligation on any Assessor's Parcel, determined pursuant to Section G.

"Prepayment Ratio" means, with respect to an Assessor's Parcel, for each series of Bonds, the ratio of (i) the Assigned Annual Special Tax or portion thereof applicable to the Assessor's Parcel at the time each such series of Bonds was issued and which was used in providing the minimum debt service coverage required to issue such series of Bonds, as reasonably determined by the Assistant Superintendent, to (ii) the sum of all the Assigned Annual Special Taxes used in providing the minimum debt service coverage required to issue such series of Bonds, as reasonably determined by the Assistant Superintendent.

"Proportionately" means that the ratio of the Annual Special Tax to the applicable special tax is the same for all applicable Assessor's Parcels.

"Residential Property" means all Assessor's Parcels of Developed Property for which the Building Permit was issued for the construction of one or more Units.

"Senior Citizen Unit" means a Unit designated as senior citizen housing, part of a residential care facility for the elderly, or part of a multi-level care facility for the elderly as referred to in California Government Code Section 65995.1. For purposes hereof, it shall be sufficient to designate a Unit as a Senior Citizen Unit if Senior Citizen Restrictions have been effected with respect to such Unit.

"Senior Citizen Restriction" means (i) a restriction limiting the use of Units to senior citizen housing under specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

"Taxable Property" means all Assessor's Parcels within the boundaries of IA B which are not exempt from the special tax pursuant to law or Section J below.

"Undeveloped Property" means all Assessor's Parcels of Taxable Property for which no Building Permit was issued as of January 1 of the prior Fiscal Year.

"Unit" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units. Each Unit shall be classified as a Detached Unit, an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

SECTION B PROPERTY CLASSIFICATION

For each Fiscal Year, beginning Fiscal Year 1998-99, each Assessor's Parcel in IA B shall be classified as an Assessor's Parcel of Taxable Property or Exempt Property. Each Assessor's Parcel of Taxable Property shall be further classified as Developed Property or Undeveloped Property. Each Assessor's Parcel of Developed Property shall be further classified as Residential Property or Commercial/Industrial Property. In addition, each Unit shall be classified as a Detached Unit, an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

SECTION C MAXIMUM SPECIAL TAX

1. Developed Property

In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Residential Property shall be the sum of (i) any portion of the One-Time Special Tax not collected at the issuance of a Building Permit, which amount may be levied on such Assessor's Parcel when classified as Developed Property in any following Fiscal Year and (ii) the Assigned Annual Special Tax.

2. Undeveloped Property

In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property shall be the sum of (i) the One-Time Special Tax and (ii) the Assigned Annual Special Tax.

**SECTION D
ONE-TIME SPECIAL TAXES**

A One-Time Special Tax shall be collected for each Assessor's Parcel of Undeveloped Property prior to the time a Building Permit is issued for such Assessor's Parcel. The One-Time Special Tax shall be determined by reference to Table 1 below, subject to increase as described below.

**TABLE 1
ONE-TIME SPECIAL TAX**

Property Type	Unit Type	One-Time Special Tax Calendar Year 1998
Residential	Detached	\$0.00 per Unit
Residential	Attached	\$0.00 per Unit
Residential	Affordable	\$0.00 per Unit
Residential	Senior Citizen	\$0.31 per BSF
Commercial/Industrial	NA	\$0.31 GFA

On each January 1 until the Escalation Termination Date, commencing January 1, 1999, the amount of the One-Time Special Tax shall be increased by the Inflation.

**SECTION E
ASSIGNED ANNUAL SPECIAL TAX**

1. Developed Property

a. Assigned Annual Special Tax for New Developed Property

The Assigned Annual Special Tax for an Assessor's Parcel of Developed Property in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be determined by reference to Table 2 below, subject to increase as described below.

**TABLE 2
ASSIGNED ANNUAL SPECIAL TAX**

Property Type	Unit Type	Assigned Annual Special Tax Fiscal Year 1998-99
Residential	Detached	\$1,989.00 per Unit
Residential	Attached	\$856.57 per Unit
Residential	Affordable	\$856.57 per Unit
Residential	Senior Citizen	\$0.00 per BSF
Commercial/Industrial	NA	\$0.00 GFA

On each July 1 until the Escalation Termination Date, commencing July 1, 1999, the amount of the Assigned Annual Special Tax shall be increased by the Inflator.

b. Assigned Annual Special Tax for Existing Developed Property

Each July 1, commencing the July 1 immediately following the Fiscal Year in which the Assessor's Parcel was first classified as Developed Property, the Assigned Annual Special Tax applicable to an Assessor's Parcel shall be increased by two percent (2.00%).

2. Undeveloped Property

The Assigned Annual Special Tax for Undeveloped Property shall be \$1,000 per acre of Acreage in Fiscal Year 1998-99. On each July 1, commencing July 1, 1999, the Assigned Annual Special Tax shall be increased by two percent (2.00%).

**SECTION F
APPORTIONMENT OF ANNUAL SPECIAL TAXES**

Commencing Fiscal Year 1998-99 and for each subsequent Fiscal Year, the Assistant Superintendent shall determine the Annual Special Tax Requirement. Annual Special Taxes shall be levied as follows:

First: An Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

Second: If the sum of the amounts levied in the first step is less than the Annual Special Tax Requirement, an Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

**SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAXES**

If there are no delinquent special taxes, penalties, or interest charges outstanding with respect to an Assessor's Parcel, the Annual Special Tax obligation for such Assessor's Parcel may be prepaid in full at the issuance of a Building Permit for such Assessor's Parcel. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 8 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Assistant Superintendent shall determine the Prepayment Amount of such Assessor's Parcel as described below and shall notify such owner of such Prepayment Amount.

1. Bond Proceeds Allocation

Prior to the calculation of any Prepayment Amount, a calculation shall be performed by the Assistant Superintendent to determine the amount of Bond proceeds that are allocable to the Assessor's Parcel for which the Annual Special Tax obligation is to be prepaid, if any. For purposes of this analysis, Bond proceeds shall equal the par amount of Bonds. For each series of Bonds, Bond proceeds of such series shall be allocated to each Assessor's Parcel in an amount equal to the Bond proceeds times the Prepayment Ratio applicable to such

Assessor's Parcel for such series of Bonds. If, after such allocations, the amount of Bond proceeds allocated to the Assessor's Parcel for which the Annual Special Tax obligation is to be prepaid is less than the sum of the Gross Prepayment Amounts applicable to such Assessor's Parcel less the sum of all Partial Prepayment Amounts actually paid with respect to such Assessor's Parcel, then the Prepayment Amount for such Assessor's Parcel shall be calculated pursuant to Section G.2. Otherwise, the Prepayment Amount shall be calculated pursuant to Section G.3.

2. Prepayment Amount for Assessor's Parcel with Allocation of Bonds Less than Applicable Gross Prepayment Amounts Less Partial Prepayment Amounts

The Prepayment Amount for each Assessor's Parcel for which the Prepayment Amount is to be calculated pursuant to this Section G.2. shall be the sum of the Gross Prepayment Amounts applicable to such Assessor's Parcel, determined by reference to Table 3, subject to adjustment as described below, less the sum of all Partial Prepayment Amounts actually paid with respect to such Assessor's Parcel.

**TABLE 3
GROSS PREPAYMENT AMOUNT
CALENDAR YEAR 1998**

Property Type	Unit Type	Gross Prepayment Amount Calendar Year 1998
Residential	Detached	\$16,044.33 per Unit
Residential	Attached	\$6,918.03 per Unit
Residential	Affordable	\$6,918.03 per Unit
Residential	Senior Citizen	\$0.00 per Unit
Commercial/Industrial	NA	\$0.00 per GFA

On each January 1 until the Escalation Termination Date, commencing January 1, 1999, the Gross Prepayment Amounts shall be increased by the Inflation.

3. Prepayment Amount for Assessor's Parcel with Allocation of Bonds Equal to or More than Applicable Gross Prepayment Amounts Less Partial Prepayment Amounts

The Prepayment Amount for each Assessor's Parcel for which the Prepayment Amount is to be calculated pursuant to this Section G.3. shall be the amount calculated as shown below.

	Bond proceeds allocated to Assessor's Parcel
plus	A. Redemption Premium
plus	B. Defeasance
plus	C. Prepayment Fees and Expenses
less	D. Reserve Fund Credit
less	E. Regularly Retired Principal Credit
less	F. Partial Prepayment Credit
equals	Prepayment Amount

Detailed explanations of items A through F follow:

A. Redemption Premium

The Redemption Premium is calculated by multiplying (i) the principal amount of the Bonds to be redeemed with the proceeds of the Prepayment Amount by (ii) the applicable redemption premium, if any, on the Bonds to be redeemed.

B. Defeasance

The Defeasance is the amount needed to pay interest on the portion of the Bonds to be redeemed with the proceeds of the Prepayment Amount until the earliest call date of the Bonds to be redeemed, net of interest earnings to be derived from the reinvestment of the Prepayment Amount until the redemption date of the portion of the Bonds to be redeemed with the Prepayment Amount. Such amount of interest earnings will be calculated reasonably by the Board.

C. Prepayment Fees and Expenses

The Prepayment Fees and Expenses are the costs of the computation of the Prepayment Amount and an allocable portion of the costs of redeeming Bonds and recording any notices to evidence the

prepayment and the redemption, as calculated reasonably by the Board.

D. Reserve Fund Credit

The Reserve Fund credit, if any, shall be calculated as the reduction in the applicable reserve fund requirements resulting from the redemption of Bonds with the Prepayment Amount.

E. Regularly Retired Principal Credit

The Regularly Retired Principal Credit is the total regularly scheduled retirement of principal that has occurred with respect to the Assessor's Parcel. For purposes of this calculation, it shall be assumed that the Annual Special Taxes actually collected from each Assessor's Parcel in any Fiscal Year are applied *prorata* to the regularly scheduled principal payment on the outstanding Bonds in the immediately following Fiscal Year based on each Assessor's Parcel's share of the total Annual Special Taxes which are actually collected from all Taxable Property in the current Fiscal Year and are applied to such regularly scheduled principal payment in the immediately following Fiscal Year. In no event shall any amount of Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any index or other basis subsequent to the date of the applicable principal payment.

F. Partial Prepayment Credit

Partial prepayments of the Annual Special Tax obligation occurring subsequent to the issuance of Bonds will be credited in an amount equal to the greatest amount of principal of the Bonds that could have been redeemed with the Partial Prepayment Amount(s), taking into account Redemption Premium, Defeasance, Prepayment Fees and Expenses, and Reserve Fund Credit, if any, but exclusive of restrictions limiting early redemption on the basis of dollar increments, i.e., the full amount of the Partial Prepayment Amount(s) will be taken into account in the calculation. The sum of all applicable partial prepayment credits is the Partial Prepayment Credit.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the amount of Assigned Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX

At the time a Final Map is recorded for any portion of any Planning Area, the owner filing said Final Map for recordation may concurrently elect to prepay a portion of the applicable Annual Special Tax obligation for all the Assessor's Parcels in such Planning Area. The owner of any Assessor's Parcel who desires such partial prepayment shall notify the Assistant Superintendent of (i) such owner's intent to partially prepay the Annual Special Tax obligation and (ii) the percentage by which the Annual Special Tax obligation shall be prepaid. The Assistant Superintendent shall provide the owner with a statement of the amount required for the partial prepayment of the Annual Special Tax obligation for an Assessor's Parcel within thirty (30) days of the request. The partial prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of a Building Permit.

The Partial Prepayment Amount shall be calculated as follows:

$$PP = P_G \times F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

P_G = the Prepayment Amount calculated according to Section G

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

With respect to an Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall indicate in the records of CFD No. 8 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax obligation shall cease.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the amount of Assigned Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

SECTION I TERMINATION OF ANNUAL SPECIAL TAX

The Annual Special Tax shall be levied for a term of twenty-five (25) Fiscal Years after the Escalation Termination Date, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2037-38.

SECTION J EXEMPTIONS

The Assistant Superintendent shall not levy a special tax on Assessor's Parcels (i) owned by the State of California, Federal or other local governments except as otherwise provided in Sections 53317.3, 53317.5 and 53340.1 of the Government Code, (ii) used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) designated entirely for use by a homeowners' association, (iv) encumbered with public or utility or access easements making impractical their use for purposes other than those set forth in the easements, (v) designated entirely as open space on a Final Map, or (vi) located in a Planning Area in which no Final Map has been recorded.

SECTION K APPEALS

Any owner of an Assessor's Parcel claiming that the amount or application of the special tax is not correct may file a written notice of appeal with the Assistant Superintendent not later than one (1) Calendar Year after having paid the first installment of the special tax that is being disputed. The Assistant Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the special tax, and rule on the appeal. If the Assistant Superintendent's decision requires that the special tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last Fiscal Year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION L
MANNER OF COLLECTION

One-Time Special Taxes shall be collected on or before the date a Building Permit is issued, provided that any portion of a One-Time Special Tax that is not collected at the issuance of a Building Permit may be levied on the applicable Assessor's Parcel in any following Fiscal Year. Annual Special Taxes shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided that CFD No. 8 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 9
OF THE POWAY UNIFIED SCHOOL DISTRICT**

An Annual Special Tax shall be levied on and collected in Community Facilities District No. 9 (the "CFD") of the Poway Unified School District (the "School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in the CFD, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

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

"Annual Special Tax" means the Special Tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

"Assigned Annual Special Tax" means the Annual Special Tax on an Assessor's Parcel of Developed Property determined pursuant to Section C below.

"Assistant Superintendent" means the Assistant Superintendent of Business of the School District or his/her designee.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, which obligation may be incurred by the CFD or the School District.

"CFD" means Community Facilities District No. 9 established by the School District under the Act.

"County" means the County of San Diego.

"Detached Unit" means an Assessor's Parcel of Residential Property.

"Developed Property" means an Assessor's Parcel in the CFD for which a building permit for new construction of a Residential Unit was issued on or before January 1 of the prior Fiscal Year.

"Exempt Property" means each Assessor's Parcel that is not Developed Property and the property designated as being exempt from Special Taxes in Section H.

"Final Subdivision Map" means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates building sites, recorded in the County Office of the Recorder.

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

"Gross Prepayment Amount" for any Assessor's Parcel of Developed Property means that gross prepayment amount calculated as provided in Section E.1.

"Index" means the Marshall & Swift Construction Cost Index for Class D Construction or such other index as is used from time to time by the State Allocation Board to estimate school construction costs (collectively, the "SAB Index"), or in the absence of the SAB Index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc. ("ENR Index"), or in the absence of such ENR Index, an index which reasonably approximates increases in costs of school construction.

"Initial Assigned Annual Special Tax" means the Assigned Annual Special Tax for an Assessor's Parcel which has been designated as Developed Property for the first time in that Fiscal Year.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, that can be levied by the CFD in any Fiscal Year on an Assessor's Parcel of Developed Property.

"Partial Prepayment Amount" means the dollar amount required to prepay a portion of the Annual Special Tax obligation on any Assessor's Parcel, determined pursuant to Section F.

"Prepayment Amount" means the dollar amount required to prepay all of the Annual Special tax obligation on any Assessor's Parcel, determined pursuant to Section E.

"Residential Unit" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of

Developed Property.

**SECTION B
ASSIGNMENT TO LAND USE CLASS**

For each Fiscal Year, beginning with Fiscal Year 1998-99, each Assessor's Parcel within the CFD shall be classified as Developed Property or as Exempt Property.

**SECTION C
MAXIMUM SPECIAL TAX**

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the amount derived by the application of the Assigned Annual Special Tax.

The Initial Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 1998-99 shall be \$1,753.67 per Residential Unit.

Each July 1, commencing July 1, 1999, the amount of the Initial Assigned Annual Special Tax shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Fiscal Year.

For Fiscal Years following the Fiscal Year in which the Initial Assigned Annual Special Tax was applied, the Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

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

Commencing Fiscal Year 1998-99 and for each subsequent Fiscal Year, the Assistant Superintendent shall levy the Maximum Special Tax on each Assessor's Parcel of Developed Property.

**SECTION E
PREPAYMENT OF ANNUAL SPECIAL TAX**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of property for which a building permit has been issued may be prepaid in full.

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide the CFD with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

1. Prior to Issuance of Bonds

Prior to the issuance of any Bonds, the prepayment Amount for each Assessor's Parcel of Developed

Property shall be the amount equal to the Gross Prepayment Amount in the Fiscal Year in which prepayment is made. The Gross Prepayment Amount for the Fiscal Year 1998-99 is \$17,060.02 per Residential Unit.

On each July 1, commencing July 1, 1999, the Gross Prepayment Amount shall be increased by the greater of the annual percentage change in the Index or two (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Fiscal Year.

2. Subsequent to Issuance of Bonds

After the issuance of any Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property shall be the amount equal to (i) the Gross Prepayment Amount (as calculated in Section E.1) minus (ii) the amount of regularly scheduled principal of such Bonds retired in the CFD with respect to such Assessor's Parcel, which amount shall be determined by multiplying (a) the amount of regularly scheduled principal that has been retired on such Bonds, times (b) 0.0158730 (1/63).

SECTION F PARTIAL PREPAYMENT OF SPECIAL TAX

At the time a residential Final Subdivision Map is recorded within CFD No. 9, the property owner filing said Final Subdivision Map for recordation concurrently may elect for all of the Assessor's Parcels created by said Final Subdivision Map to prepay a portion of the applicable future Annual Special Taxes. In order to prepay a portion of the applicable future Annual Special Taxes, the residential Final Subdivision Map must contain at least nine (9) Residential Units. The partial prepayment of the Annual Special Tax shall be collected at the time of the issuance of a building permit. The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_E \times F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

P_E = the Prepayment Amount calculated according to Section E

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation.

The owner of any Assessor's Parcel who desires such partial prepayment shall notify the Assistant Superintendent of (i) such owner's intent to partially prepay the Annual Special Tax obligation and, (ii) the percentage by which the Annual Special Tax obligation shall be prepaid. The Assistant Superintendent shall provide the owner with a statement of the amount required for the partial prepayment of the Annual Special Tax obligation for an Assessor's Parcel within ten (10) working days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the Assistant Superintendent shall indicate in the records of the CFD that there has been a partial prepayment of the Annual Special Tax and shall cause a suitable notice to be recorded in compliance with the Act within 30 days of receipt of such partial prepayment of Annual Special Taxes, to indicate the partial prepayment of Annual Special Taxes and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. The portion of the Annual Special Tax with respect to any Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Annual Special Tax, shall continue to be levied on such Assessor's Parcel.

The amount of the Partial Prepayment Amount deposited in the applicable redemption fund may be in an amount able to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the applicable redemption fund to be used with the next prepayment of Bonds.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Maximum Annual Special Taxes that may be levied on Developed Property within the CFD both prior to and after the proposed partial prepayment is at least 1.1 times annual debt service on all Bonds that are outstanding.

SECTION G TERMINATION OF SPECIAL TAX

The Annual Special Tax shall be levied for a term of twenty-five (25) Fiscal Years after the last series of Bonds is issued for the CFD, but in no event shall the Annual Special Tax be levied later than the Fiscal Year 2045-46.

SECTION H EXEMPTIONS

The Assistant Superintendent shall not levy a Special Tax on (i) properties owned by the State of California, Federal or other local Government Code, (ii) properties within the boundaries of the CFD which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) properties owned by a homeowners' association (iv) properties with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, or (v) properties that are not Developed Property. Only Developed Property shall be subject to Special Tax.

SECTION I APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent no later than one (1) calendar year after having paid the first installment of the Special Tax, that is disputed. The Assistant

Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendents decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION J
MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that the CFD may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

April 10, 2001

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 10
OF THE POWAY UNIFIED SCHOOL DISTRICT**

An Annual Special Tax and a One-Time Special Tax shall be levied on and collected in Community Facilities District No. 10 ("CFD No. 10") of the Poway Unified School District ("School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in CFD No. 10, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

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

"Administrative Expenses" means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of CFD No. 10.

"Annual Special Tax" means the Special Tax levied in each Fiscal Year on an Assessor's Parcel as set forth in Section F.

"Assessor's Parcel" means a lot or parcel of land in CFD No. 10 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

"Assigned Annual Special Tax" means the Special Tax of that name as set forth in Section E.

"Assistant Superintendent" means the Assistant Superintendent of Business of the School District or his/her designee.

"Attached Unit" means a Unit that (i) consists or shall consist of a building or buildings in which each of the individual Units has at least one common wall with another Unit and (ii) is not a Senior Citizen Unit.

"Board" means the Board of Education of the School District or its designee.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes of CFD No. 10 are pledged.

"Building Square Footage" or "BSF" means the square footage of internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Unit or other applicable records of the City.

"Calendar Year" means any period beginning January 1 and ending December 31.

"City" means the City of San Diego.

"County" means the County of San Diego.

"Detached Unit" means a Unit which is not an Attached Unit or a Senior Citizen Unit.

"Developed Property" means all Assessor's Parcels for which building permits were issued for the construction of Units on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Assistant Superintendent.

"Exempt Property" means the property designated as Exempt Property in Section I.

"Final Subdivision Map" means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates building sites, recorded in the County Office of the Recorder.

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

"Gross Floor Area" or "GFA" means the covered and enclosed space within the perimeters of a commercial or industrial structure, not including any storage area incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposable area, as used in Section 65995 of the Government Code.

"Gross Prepayment Amount" means any amount determined by reference to Table 2 and adjusted as set forth in Section G.

"Index" means the Marshall & Swift Western Region Class D Wood Frame Index, or if the Marshall & Swift Western Region Class D Wood Frame Index ceases to be used by the State Allocation Board, a reasonably comparable index used by the State Allocation Board to estimate changes in school construction costs, or in the absence of such an index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

"Inflator" means the greater of (i) the annual percentage change in the Index, as calculated for the twelve (12) months ending December 31 of the prior Calendar Year or (ii) two percent (2.0%).

"Lot" means an individual legal lot created by a Final Subdivision Map for which a building permit for a Unit has been or could be issued, provided that land for which one or more building permits have been or could be issued for the construction of one or more model Units shall not be construed as a Lot until such land has been subdivided by a Final Subdivision Map.

"One-Time Special Tax" means the single payment Special Tax to be levied as set forth in Section D.

"Prepayment Amount" means the dollar amount required to prepay all of the Annual Special Tax obligation on any Assessor's Parcel, determined pursuant to Section G.

"Senior Citizen Unit" means a Unit designated as senior citizen housing, part of a residential care facility for the elderly, or part of a multi-level care facility for the elderly as referred to in California Government Code Section 65995.1. For purposes hereof, it shall be sufficient to designate a Unit as a Senior Citizen Unit if Senior Citizen Restrictions have been effected with respect to such Unit.

"Senior Citizen Restriction" means (i) a restriction limiting the use of Units to senior citizen housing under a specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

"Special Tax" means any of the special taxes authorized to be levied by CFD No. 10 under the Act.

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

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property.

"Unit" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units. Each Unit shall be classified as an Attached Unit, a Detached Unit, or a Senior Citizen Unit.

"Zone" means either of the areas identified as a Zone in Exhibit A to this Rate and Method of Apportionment.

"Zone 1" means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment.

"Zone 2" means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment.

**SECTION B
ASSIGNMENT OF ASSESSOR'S PARCELS**

For each Fiscal Year, beginning with Fiscal Year 2001-02, (i) each Assessor's Parcel shall be classified as Exempt Property or Taxable Property; (ii) each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property; and (iii) each Assessor's Parcel shall be assigned to a Zone in accordance with Exhibit A.

**SECTION C
MAXIMUM SPECIAL TAX**

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the Assigned Annual Special Tax.

2. Undeveloped Property

The Maximum Special Tax for any Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the One-Time Special Tax.

**SECTION D
ONE-TIME SPECIAL TAX**

The One-Time Special Tax shall be collected for each Assessor's Parcel on or before the date a building permit is issued for such Assessor's Parcel in the amounts described below.

1. Zone 1

From May 1, 2001 to April 30, 2002, the One-Time Special Tax amounts in Zone 1 shall be (i) \$2.14 per square foot of BSF for Detached Units, (ii) \$2.14 per square foot of BSF for Attached Units, (iii) \$0.36 per square foot of BSF for Senior Citizen Units, and (iv) \$0.36 per GFA. On each May 1, commencing May 1, 2002, the One-Time Special Tax amounts in Zone 1 shall be increased by the Inflator.

2. Zone 2

From May 1, 2001 to April 30, 2002, the One-Time Special Tax amounts in Zone 2 shall be (i) \$2.14 per square foot of BSF for Detached Units, (ii) \$0.00 per square foot of BSF for Attached Units, (iii) \$0.36 per square foot of BSF for Senior Citizen Units, and (iv) \$0.36 per GFA. On each May 1, commencing May 1, 2002, the One-Time Special Tax amounts in Zone 2 shall be increased by the Inflator.

**SECTION E
ASSIGNED ANNUAL SPECIAL TAX**

1. Assigned Annual Special Tax for New Developed Property

The Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be the amount

determined by reference to Table 1 below, subject to adjustment as described below, as applicable. No Assigned Annual Special Tax shall apply to Senior Citizen Units.

TABLE 1

<i>ASSIGNED ANNUAL SPECIAL TAX FOR NEW DEVELOPED PROPERTY FOR FISCAL YEAR 2001-02</i>		
Unit Type	Assigned Annual Special Tax in Zone 1¹	Assigned Annual Special Tax in Zone 2¹
Detached Unit	\$1,817.70 per Unit	\$1,817.70 per Unit
Attached Unit	\$749.15 per Unit	\$1,012.00 per Unit
1. No Assigned Annual Special Tax shall apply to Senior Citizen Units.		

Each July 1, commencing July 1, 2002, the Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be increased by the Inflater.

2. Assigned Annual Special Tax for Existing Developed Property

Each July 1, commencing the July 1 immediately following the Fiscal Year in which the Assessor's Parcel was first classified as Developed Property, the Assigned Annual Special Tax applicable to an Assessor's Parcel shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

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

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Assistant Superintendent shall levy the Annual Special Tax on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.

**SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAX**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

1. Prior to Issuance of Bonds

Prior to the issuance of Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a building permit has been issued shall be the amount equal to the Gross Prepayment Amount.

The Gross Prepayment Amount for the period May 1, 2001 to April 30, 2002 shall be the amount determined by reference to Table 2.

TABLE 2

<i>GROSS PREPAYMENT AMOUNT FOR MAY 1, 2001 TO APRIL 30, 2002</i>		
Unit Type	Gross Prepayment Amount in Zone 1	Gross Prepayment Amount in Zone 2
Detached Unit	\$18,870.40 per Unit	\$18,870.40 per Unit
Attached Unit	\$8,083.83 per Unit	\$10,920.16 per Unit

On each May 1, commencing May 1, 2002, the Gross Prepayment Amount for each Unit shall be increased by the Inflater, provided that the Gross Prepayment Amount applicable to a Unit shall not increase after the issuance of the building permit for such Unit.

2. Subsequent to Issuance of Bonds

Subsequent to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

April 10, 2001

1. For each Assessor's Parcel of Developed Property, compute the Assigned Annual Special Tax. For each Assessor's Parcel of Undeveloped Property, compute the Assigned Annual Special Tax as though it was already designated as Developed Property, based upon the building permit issued for that Assessor's Parcel.
2. For each Annual Special Tax obligation to be prepaid, divide the Assigned Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Assigned Annual Special Tax applicable to all Assessor's Parcels of Developed Property at build-out, as reasonably determined by the Assistant Superintendent.
3. The amount determined pursuant to Section G.1. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal of the Bonds which is allocable to the applicable Assessor's Parcel, as determined by the Assistant Superintendent. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Tax determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the applicable payment.
4. Multiply the quotient computed pursuant to paragraph 2 by the face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."

April 10, 2001

9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Assistant Superintendent shall indicate in the records of CFD No. 10 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Tax that may be levied in CFD No. 10, net of an allocable portion of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year, as reasonably determined by the Assistant Superintendent.

SECTION H TERMINATION OF ANNUAL SPECIAL TAX

The Annual Special Tax shall be levied for a term of thirty-one (31) Fiscal Years after the last series of Bonds is issued, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

SECTION I EXEMPTIONS

The Assistant Superintendent shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, or (v) other types of Assessor's Parcels, at the reasonable discretion of the Assistant Superintendent.

SECTION J APPEALS

Any property owner claiming that the amount or application of any Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent not later than twelve (12) months after having paid the Special Tax that is disputed. The Assistant Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendent's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy or in other special cases, as determined by the Assistant Superintendent), but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION K MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 10 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations. The One-Time Special Tax shall be collected prior to the issuance of a building permit.

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**FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 12
OF POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes of Poway Unified School District ("School District") Community Facilities District No. 12 ("CFD No. 12"). An Annual Special Tax shall be levied on and collected in CFD No. 12 each Fiscal Year, in an amount determined through the application of the First Amended Rate and Method of Apportionment described below. All of the real property in CFD No. 12, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map or as calculated from the applicable Assessor's Parcel Map by the Board.

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 12 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 12, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 12.

"Affordable Unit" means any of up to 42 Units in CFD No. 12 designated as Affordable Units in writing to the Deputy Superintendent at the Developer's election at the time the applicable Building Permit is issued, provided that each such Unit is (i) subject to affordable housing restrictions under any applicable law and (ii) not a Senior Citizen Unit. Under no circumstances may the Developer designate more than 42 Units as Affordable Units in CFD No. 12.

"Annual Special Tax" means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 12.

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

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

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

"Attached Unit" means a Unit that (i) is located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit and (ii) is not an Affordable Unit or a Senior Citizen Unit.

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

"Board" means the Board of Education of Poway Unified School District, or its designee, acting as the Legislative Body of CFD No. 12.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes have been pledged by CFD No. 12 or the School District.

"Building Permit" means a permit for the construction of one or more Units. For purposes of this definition, "Building Permit" shall not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation.

"Building Square Footage" or "BSF" means the square footage of assessable internal living space of a Unit, exclusive of any carports, walkways, garages, overhangs, patios, enclosed patios, detached accessory structure, or other structures not used as living space, as determined by reference to the Building Permit for such Unit.

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

"CFD No. 12" means Community Facilities District No. 12 established by the School District under the Act.

Commercial/Industrial Building" means all Assessor's Parcels in CFD No. 12 for which a building permit was issued on or before January 1 of the prior Fiscal Year for the construction of a commercial/industrial structure, excluding utility improvements, retaining walls, parking structures or other such improvements not intended for commercial/industrial use.

"County" means the County of San Diego.

"Deputy Superintendent" means the Deputy Superintendent of the School District or his/her designee.

"Detached Unit" means a Unit that is not an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

"Developed Property" means all Assessor's Parcels of Taxable Property for which Building Permits were issued on or before January 1 of the prior Fiscal Year, provided that such Assessor's Parcel is associated with a Lot, as determined reasonably by the Board.

"Developer" means Shea Homes, a California limited partnership and its successors and assigns, as applicable.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes in Section J.

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

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

"Golf Course Property" means any Assessor's Parcel utilized or expected to be utilized, as determined by the Deputy Superintendent, for golf course purposes, including fairways, greens, driving ranges, tennis facilities, club houses, locker rooms, maintenance facilities, garages, pro shops, restaurants, or banquet facilities.

"Gross Floor Area" or "GFA" means, for an Assessor's Parcel of Commercial/Industrial Property, the covered and enclosed space determined to be within the perimeter of a commercial or industrial structure, not including any storage areas incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposal area, as used in Section 65995 of the Government Code. The determination of Gross Floor Area shall be made by the Deputy Superintendent in accordance with the standard practice of the building department of the City.

"Gross Prepayment Amount" means the Prepayment Amount for an Assessor's Parcel prior to Bonds being issued by CFD No. 12, as determined in accordance with Section G.

"Index" means the Marshall & Swift Western Region Class D Wood Frame Index, or if the Marshall & Swift Western Region Class D Wood Frame Index ceases to be used by the State Allocation Board, a reasonably comparable index used by the State Allocation Board to estimate changes in school construction costs, or in the absence of such an index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

"Inflator" means the greater of (i) 2.00% or (ii) the percentage generated from the following equation: $4.00\% \times 17.45\% + \Delta \text{ Index} \times 82.55\%$, where $\Delta \text{ Index}$ is the change in the Index as measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

"Lot" means an individual legal lot created by a Final Map for which a Building Permit could be issued.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C, that can be levied by CFD No. 12 in any Fiscal Year on any Assessor's Parcel.

"Minimum Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of CFD No. 12, (iii) the costs associated with the release of funds from an escrow account, and (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, less (v) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

"Minimum Taxable Acreage" means, for either Zone, the applicable Acreage listed in Table 4.

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

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

"Proportionately" means that the ratio of the actual Annual Special Tax levy to the applicable Special Tax is equal for all applicable Assessor's Parcels.

"Residential Property" means all Assessor's Parcels of Developed Property for which the Building Permit was issued for the construction of one or more Units.

"School District" means Poway Unified School District.

"Senior Citizen Unit" means a Unit designated as senior citizen housing, part of a residential care facility for the elderly, or part of a multi-level care facility for the elderly as referred to in California Government Code Section 65995.1. For purposes hereof, it shall be sufficient to designate a Unit as a Senior Citizen Unit if Senior Citizen Restrictions have been affected with respect to such Unit.

"Senior Citizen Restriction" means (i) a restriction limiting the use of Units to senior citizen housing under specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

"Special Tax" means any of the special taxes authorized to be levied by CFD No. 12 pursuant to the Act.

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

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property.

"Unit" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units. Each Unit shall be classified as an Affordable Unit, an Attached Unit, a Detached Unit, or a Senior Citizen Unit.

"Zone" means the areas identified as a Zone in Exhibit A to this Rate and Method of Apportionment.

"Zone 1" means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

"Zone 2" means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

"**Zone 3**" means all property located within the area identified as Zone 3 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

"**Zone 4**" means all property located within the area identified as Zone 4 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2001-02, each Assessor's Parcel shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property or Undeveloped Property. Finally, in the event that CFD No. 12 is required to levy the Backup Annual Special Tax in a given Fiscal Year, each Assessor's Parcel of Developed Property shall be assigned to a Zone in accordance with Exhibit A at the reasonable discretion of the Board.

SECTION C MAXIMUM SPECIAL TAXES

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the amount determined by the greater of (i) the application of the Assigned Annual Special Tax or (ii) the application of the Backup Annual Special Tax.

2. Undeveloped Property

The Maximum Special Tax for each Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the amount determined by the application of the Assigned Annual Special Tax.

SECTION D ASSIGNED ANNUAL SPECIAL TAXES

1. Developed Property

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to an Assigned Annual Special Tax. The Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2001-02 shall be determined pursuant to Table 1.

TABLE 1

**ASSIGNED ANNUAL SPECIAL TAX FOR
DEVELOPED PROPERTY
FISCAL YEAR 2001-02**

Unit Type	Building Square Feet	Rate
Detached	> 3,750 BSF	\$2,012.48 per Unit
Detached	3,501 – 3,750 BSF	\$1,876.68 per Unit
Detached	3,251 – 3,500 BSF	\$1,740.88 per Unit
Detached	3,001 – 3,250 BSF	\$1,605.09 per Unit
Detached	2,751 – 3,000 BSF	\$1,469.29 per Unit
Detached	2,501 – 2,750 BSF	\$1,333.49 per Unit
Detached	2,251 – 2,500 BSF	\$1,116.21 per Unit
Detached	2,001 – 2,250 BSF	\$989.46 per Unit
Detached	1,751 – 2,000 BSF	\$862.72 per Unit
Detached	1,501 – 1,750 BSF	\$735.97 per Unit
Detached	≤ 1,500 BSF	\$609.23 per Unit
Attached	NA	\$609.23 per Unit
Affordable	NA	\$0.00 per Unit
Senior Citizen	NA	\$0.00 per Unit

For each Fiscal Year after Fiscal Year 2001-02, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be increased by the Inflater. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Assigned Annual Special Tax for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Undeveloped Property

Each Fiscal Year, each Assessor's Parcel of Undeveloped Property shall be subject to an Assigned Annual Special Tax. The Assigned Annual Special Tax rate for an Assessor's Parcel of Undeveloped Property for Fiscal Year 2001-02 shall be \$8,238.00 per acre of Acreage. For each Fiscal Year thereafter, the Special Tax rate for Undeveloped property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**SECTION E
BACKUP ANNUAL SPECIAL TAXES**

The Backup Annual Special Tax for an Assessor's Parcel of Developed Property for each Zone in Fiscal Year 2001-02 shall be determined pursuant to Table 2. For each Fiscal Year after Fiscal Year 2001-02, the Backup Annual Special Tax for each Assessor's Parcel of Developed Property shall increase by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

TABLE 2

BACKUP ANNUAL SPECIAL TAX

Zone	Backup Annual Special Tax
Zone 1	\$2,227.58 per acre of Acreage
Zone 2	\$5,732.71 per acre of Acreage
Zone 3	\$9,533.35 per acre of Acreage
Zone 4	\$11,705.42 per acre of Acreage

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

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

- Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

- Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Undeveloped Property, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel, to satisfy the Minimum Annual Special Tax Requirement.

- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Developed Property up to the Maximum Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.

**SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

1. Prior to Issuance of Bonds

Prior to the issuance of Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued shall be the applicable Gross Prepayment Amount. The Gross Prepayment Amount for Fiscal Year 2001-02 shall be determined by reference to Table 3, subject to adjustment as described below.

TABLE 3
**GROSS PREPAYMENT AMOUNTS PRIOR
TO THE ISSUANCE OF BONDS
FISCAL YEAR 2001-02**

Unit Type	Building Square Feet	Prepayment Amount
Detached	> 3,750 BSF	\$25,511.78 per Unit
Detached	3,501 – 3,750 BSF	\$23,810.99 per Unit
Detached	3,251 – 3,500 BSF	\$22,110.21 per Unit
Detached	3,001 – 3,250 BSF	\$20,409.42 per Unit
Detached	2,751 – 3,000 BSF	\$18,708.64 per Unit
Detached	2,501 – 2,750 BSF	\$17,007.85 per Unit
Detached	2,251 – 2,500 BSF	\$17,007.85 per Unit
Detached	2,001 – 2,250 BSF	\$17,007.85 per Unit
Detached	1,751 – 2,000 BSF	\$17,007.85 per Unit
Detached	1,501 – 1,750 BSF	\$17,007.85 per Unit
Detached	≤ 1,500 BSF	\$17,007.85 per Unit
Attached	NA	\$7,552.70 per Unit
Affordable	NA	\$0.00 per Unit
Senior Citizen	NA	\$0.00 per Unit

Each Fiscal Year, commencing Fiscal Year 2002-03, the Gross Prepayment Amounts shall be increased by the Inflation. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Gross Prepayment Amount for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Subsequent to Issuance of Bonds

Subsequent to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For Assessor's Parcels of Developed Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel. For Assessor's Parcels of Undeveloped Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit issued for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property or Undeveloped Property to be prepaid, (a) divide the sum of the Assigned Annual Special Taxes computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board, and (b) divide the sum of Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board.
3. The amount determined pursuant to Section G.1. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal which is allocable to the applicable Assessor's Parcel, as determined by the Board. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the date of the applicable principal payment.
4. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the

face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."

5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if a surety bond or other instrument satisfies the reserve fund requirement at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Board shall indicate in the records of CFD No. 12 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Taxes shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year, as reasonably determined by the Board.

SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of an Assessor's Parcel, as calculated in Section H.2. below, may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

1. Partial Prepayment Times and Conditions

Prior to the issuance of the first Building Permit for the construction of a production Unit on a Lot within a Final Map area, the owner of no less than all the Taxable Property within such Final Map area may elect in writing to the Board to prepay a portion of the Annual Special Tax obligations for all the Assessor's Parcels within such Final Map area, as calculated in Section H.2. below. The partial prepayment of each Annual Special Tax obligation shall be collected prior to the issuance of the first Building Permit with respect to each Assessor's Parcel.

2. Partial Prepayment Amount

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

$$PP = P_G \times F$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount

P_G = the Prepayment Amount calculated according to Section G

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation.

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 12 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation, to indicate the partial prepayment of the Annual Special Tax obligation and the partial

release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

**SECTION I
TERMINATION OF SPECIAL TAX**

Annual Special Taxes shall be levied for a period of thirty-three (33) Fiscal Years after the last series of Bonds has been issued, as determined by the Board, provided that Annual Special Taxes shall not be levied after Fiscal Year 2042-43.

**SECTION J
EXEMPTIONS**

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels classified as Golf Course Property or containing a Commercial/Industrial Building with no Units, and (vi) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the sum of all Developed Property and Undeveloped Property in such Zone to less than the Minimum Taxable Acreage. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property in such Zone to less than the Minimum Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property in such Zone to less than the Minimum Taxable Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

TABLE 4

MINIMUM TAXABLE ACREAGE

Zone	Minimum Taxable Acreage
Zone 1	110.43
Zone 2	21.45
Zone 3	18.13
Zone 4	31.61

SECTION K APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 12 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION L MANNER OF COLLECTION

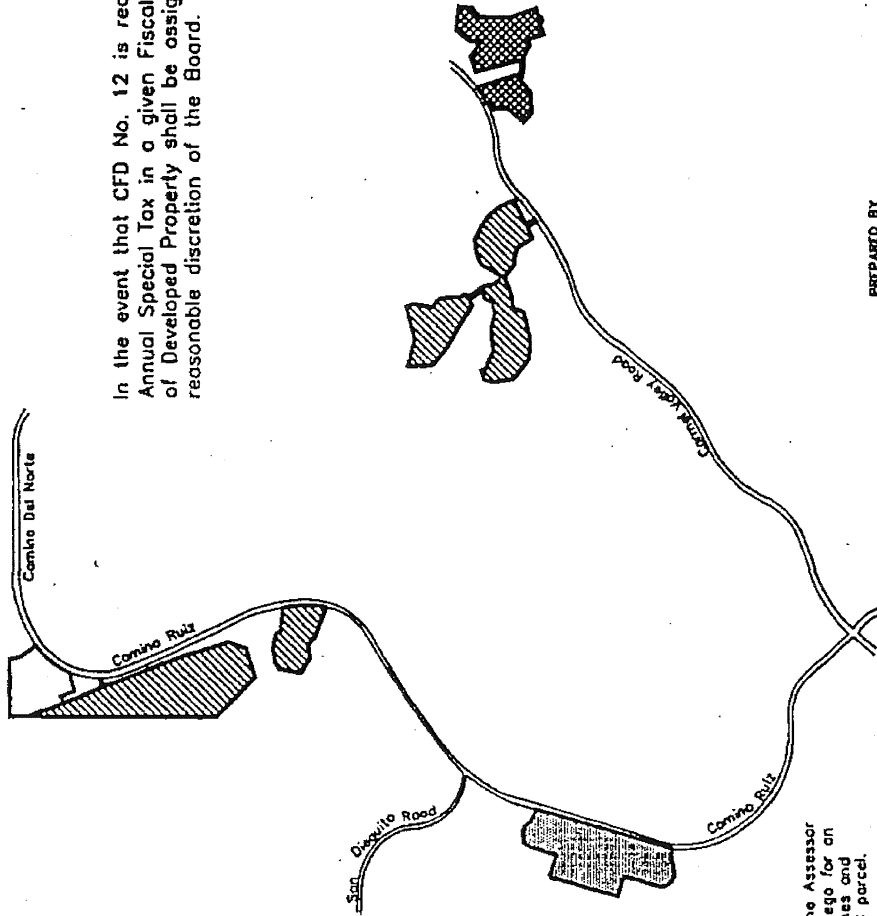
The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 12 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

EXHIBIT A

ZONE MAP OF CFD NO. 12

EXHIBIT "A"
OF RATE AND METHOD OF APPORTIONMENT
ZONE MAP
COMMUNITY FACILITIES DISTRICT NO. 12
POWAY UNIFIED SCHOOL DISTRICT

In the event that CFD No. 12 is required to levy the Backup Annual Special Tax in a given Fiscal Year, each Assessor's Parcel of Developed Property shall be assigned to a Zone at the reasonable discretion of the Board.



Reference is hereby made to the Assessor maps of the County of San Diego for an exact description of the lines and dimensions of each lot and parcel.

LEGEND

Boundaries of Community Facilities District No. 12	
	Zone 4
	Zone 3
	Zone 2
	Zone 1

PREPARED BY
DAVID TAUSSIG & ASSOCIATES, INC.

EXHIBIT "A"
ASSESSOR'S PARCELS WITHIN
COMMUNITY FACILITIES DISTRICT NO. 12 OF
POWAY UNIFIED SCHOOL DISTRICT

ZONE 1

267-150-08
267-150-10
312-142-06

ZONE 2

267-150-14

ZONE 3

312-160-05

ZONE 4

303-070-24
303-070-27

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following is a summary of selected provisions of the Authority Indenture of Trust and the CFD No. 2 Bond Indenture and the CFD No. 12 Bond Indenture. The provisions of the separate CFD Bond Indentures for the CFD No. 4 Special Tax Bonds, CFD No. 8 Special Tax Bonds, the CFD No. 9 Special Tax Bonds, and the CFD No. 10 Special Tax Bonds are substantially equivalent to the provisions of the CFD No. 2 Indenture and the CFD No. 12 Indenture, except where specified otherwise in this summary. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the documents summarized herein. Purchasers of the Bonds are referred to the complete text of each respective document, copies of which are available upon request from the Trustee.

Authority Indenture

Definitions.

The capitalized terms set forth in the Authority Indenture are defined as follows:

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

"Agreement" means that certain Amended and Restated Joint Exercise of Powers Agreement, dated as of May 14, 2007, by and between CFD No. 1 and the School District and as hereafter duly amended and supplemented from time to time, creating the Authority for the purposes, among other things, of assisting the School District and CFD No. 1 in the financing and refinancing of Public Capital Improvements, as such term is defined in the Bond Law.

"Authority" or "Issuer" means the Poway Unified School District Public Financing Authority, a joint exercise of powers authority organized and existing under the Agreement and under and by virtue of the laws of the State of California.

"Authority Administrative Expense Fund" fund by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

"Authority Administrative Expenses" means all actual costs and expenses incurred in connection with the administration of the Bonds, including but not limited to: (a) the fees and expenses payable to the Trustee, and its counsel, and other Persons for professional services rendered in connection with the administration, continuing disclosure and rebate obligations of or for the Bonds; and (b) fees and expenses of Independent Accountants for preparation of audits required by the Indenture.

"Authority Bond Counsel" means the law firm of Best Best & Krieger LLP and any successor firm or any other firm of nationally recognized bond counsel acceptable to the Board of Directors.

"Authority Costs of Issuance" means all items of expense directly or indirectly payable by, or reimbursable to, the Authority relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to, underwriters' discount, printing expenses, Authority Bond Counsel fees, bond insurance premiums or costs, surety fees and costs, rating agency fees, filing and recording fees, initial fees, expenses and charges and first annual administrative fees of the Trustee, expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds. Authority Costs of Issuance shall also include Costs of Issuance as defined in the CFD No. 2 Bond Indenture for the CFD No. 2 Bonds, CFD No. 4 Bond Indenture for the CFD No. 4 Bonds, CFD No. 8 Bond Indenture for the CFD No. 8 Bonds, CFD No. 9 Bond Indenture for the CFD No. 9 Bonds, CFD No. 10 Bond Indenture for the CFD No. 10 Bonds, and CFD No. 12 Bond Indenture for the CFD No. 12 Bonds.

"Authority Costs of Issuance Account" means the account by that name within the Program Fund established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

"Authority School Facilities Fund" means the fund by the name established with Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

"Authorized Denomination" means the principal amount or maturity amount, as applicable, of \$5,000 or any integral multiple thereof.

"Authorized Representative" means: (a) with respect to the Authority, its Chairperson, Treasurer or Secretary, each as designated in the Agreement, and any other Person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Treasurer and filed with each CFD, the Authority and the Trustee; (b) with respect to the School District, its Superintendent, Deputy Superintendent, or any other Person designated as an Authorized Representative of the School District by a Written Certificate signed on behalf of the School District by the Superintendent or the Deputy Superintendent and filed with the Authority and the Trustee; (c) with respect to a CFD, the President of the Board of Education, Vice President of the Board of Education, the Superintendent, the Deputy Superintendent or any other Person acting for and on behalf of a CFD and designated as an Authorized Representative of a CFD by a Written Certificate signed on behalf of a CFD by the Superintendent or the Deputy Superintendent and filed with the Authority and the Trustee; and (d) with respect to the Trustee, the President, any Vice President, any Assistant Vice President, or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other Person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the bylaws of the Trustee. An Authorized Representative may by written instrument designate any Person to act on his or her behalf.

"Board of Directors" means the Board of Directors of the Authority.

"Board of Education" means the Board of Education of the School District.

"Bond Fund" means the fund by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

"Bond Insurance Policy" means the financial guaranty insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as amended from time to time.

"Bond Purchase Agreement" means an agreement to purchase the Bonds by and between the Authority, the School District, on behalf of the CFDs, and the Underwriter of the Bonds.

"Bond Year" means each twelve-month period beginning on September 16 of each year and ending on September 15 the following year; provided, however, that with respect to the Bonds, the first such Bond Year shall begin on the Date of Delivery, and end on September 15, 2007.

"Bonds" or "Authority Bonds" mean Poway Unified School District Public Financing Authority 2007 Revenue Bonds at any time Outstanding pursuant to the Indenture.

"Business Day" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Trustee is located, or the New York Stock Exchange is closed. If any payment under the Indenture is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such previous day.

"Capitalized Interest Sub-Account" means the sub-account by that name within the Interest Account of the Bond Fund established pursuant to the Indenture and to be administered as prescribed in the Indenture.

"CFD Bond Indentures" means, collectively, the CFD No. 2 Bond Indenture, the CFD No. 4 Bond Indenture, the CFD No. 8 Bond Indenture, the CFD No. 9 Bond Indenture, the CFD No. 10 Bond Indenture, and the CFD No. 12 Bond Indenture.

"CFD No. 2 Bond Indenture" means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 2 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 2 Bonds.

"CFD No. 4 Bond Indenture" means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 4 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 4 Bonds.

"CFD No. 8 Bond Indenture" means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 8 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 8 Bonds.

"CFD No. 9 Bond Indenture" means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 9 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 9 Bonds.

"CFD No. 10 Bond Indenture" means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 10 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 10 Bonds.

"CFD No. 12 Bond Indenture" means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 12 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 12 Bonds.

"CFD No. 2 Bonds Reserve Fund Credit Amount" means \$58,797.50 (an amount equal to the cash deposited in the Reserve Fund at the Date of Delivery multiplied by a fraction with the numerator equal to the total debt service due on the CFD No. 2 Bonds through the final maturity date of the CFD No. 2 Bonds and the denominator equal to the total aggregate debt service of the Special Tax Bonds through final maturity.)

"CFD No. 4 Bonds Reserve Fund Credit Amount" means \$314,905.27 (an amount equal to the cash deposited in the Reserve Fund at the Date of Delivery multiplied by a fraction with the numerator equal to the total debt service due on the CFD No. 4 Bonds through the final maturity date of the CFD No. 4 Bonds and the denominator equal to the total aggregate debt service of the Special Tax Bonds through final maturity.)

"CFD No. 8 Bonds Reserve Fund Credit Amount" means \$162,462.71 (an amount equal to the cash deposited in the Reserve Fund at the Date of Delivery multiplied by a fraction with the numerator equal to the total debt service due on the CFD No. 8 Bonds through the final maturity date of the CFD No. 8 Bonds and the denominator equal to the total aggregate debt service of the Special Tax Bonds through final maturity.)

"CFD No. 9 Bonds Reserve Fund Credit Amount" means \$37,930.93 (an amount equal to the cash deposited in the Reserve Fund at the Date of Delivery multiplied by a fraction with the numerator equal to the total debt service due on the CFD No. 9 Bonds through the final maturity date of the CFD No. 9 Bonds and the denominator equal to the total aggregate debt service of the Special Tax Bonds through final maturity.)

"CFD No. 10 Bonds Reserve Fund Credit Amount" means \$970,195.03 (an amount equal to the cash deposited in the Reserve Fund at the Date of Delivery multiplied by a fraction with the numerator equal to the total debt service due on the CFD No. 10 Bonds through the final maturity date of the CFD No. 10 Bonds and the denominator equal to the total aggregate debt service of the Special Tax Bonds through final maturity.)

"CFD No. 12 Bonds Reserve Fund Credit Amount" means \$204,333.56 (an amount equal to the cash deposited in the Reserve Fund at the Date of Delivery multiplied by a fraction with the numerator equal to the total debt service due on the CFD No. 12 Bonds through the final maturity date of the CFD No. 12 Bonds and the denominator equal to the total aggregate debt service of the Special Tax Bonds through final maturity.)

"CFD Prepayment Credit" means that Reserve Fund Credit as such term is defined in the rate and method of apportionment of special taxes for each particular CFD, calculated pursuant to such rate and method and provided for upon the prepayment of the special tax obligation for property within such CFD.

"Community Facilities District Bond Counsel" or "CFD Bond Counsel" means the law firm of Best Best & Krieger LLP and any successor firm or any other firm of nationally recognized bond counsel acceptable to the Board of Education, acting in its capacity as the legislative body of the CFDs.

"Community Facilities District No. 1" or "CFD No. 1" means Poway Unified School District Community Facilities District No. 1, a Community Facilities District formed pursuant to the Mello-Roos Community Facilities Act of 1982, as amended.

"Community Facilities Districts" or "CFDs" means the following community facilities districts:

- Poway Unified School District Community Facilities District No. 2;
- Poway Unified School District Community Facilities District No. 4;
- Poway Unified School District Community Facilities District No. 8;
- Poway Unified School District Community Facilities District No. 9;
- Poway Unified School District Community Facilities District No. 10; and
- Poway Unified School District Community Facilities District No. 12.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement as executed and delivered by the Authority and the School District on behalf of the CFDs, Dolinka Group, as dissemination agent, and Zions First National Bank, as Trustee, and dated as of April 1, 2007 as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Date of Delivery" means with respect to the Bonds, the date on which the Bonds are delivered to the Underwriter in exchange for the purchase price therefor.

"Defeasance Obligations" means those investments identified in paragraph A. of the definition of Permitted Investments.

"Deputy Superintendent" means the Deputy Superintendent of the School District.

"Event of Bankruptcy" means, with respect to any Person, the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against such Person as debtor, other than any involuntary proceeding which has been finally dismissed without entry of an order for relief or similar order as to which all appeal periods have expired.

"Event of Default" means any of the events of default specified in the Indenture.

"Excess Investment Earnings" means an amount equal to the sum of:

- (a) the excess of the aggregate amount earned from the Date of Delivery on all Permitted Investments in which proceeds of the Bonds are invested (other than amounts attributable to an excess described in this paragraph (a)) over the amount which would have been earned if the yield on such investments (other than amounts attributable to an excess described in this paragraph (a)) had been equal to the yield on the Bonds; and
- (b) any income attributable to the excess described in the preceding paragraph (a).

"Fiscal Agent" means Zions First National Bank, acting as in its capacity as the fiscal agent for the CFD No. 2 Bonds, the CFD No. 4 Bonds, the CFD No. 8 Bonds, the CFD No. 9 Bonds, the CFD No. 10 Bonds, and/or the CFD No. 12 Bonds.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority and certified to the Trustee in writing by an Authorized Representative of the Authority.

"Funding Allocation Agreement" means that certain Funding Allocation Agreement, dated as of April 1, 2007, among the Authority, the School District and the CFDs.

"Funding Requirement" means, as of any date of calculation, that all deposits required to be made to the Interest Account, the Principal Account and the Redemption Account for the Bond Year have been made.

"Guaranty Agreement" means that certain Guaranty Agreement by and between the Authority and the Insurer delivered as part of the consideration for the execution by the Insurer of the Surety Bond.

"Guaranty Agreement Reimbursements" means any reimbursement payment required to be made by the Authority to the Insurer pursuant to the Guaranty Agreement.

"Improvement Area B" means Improvement Area B of CFD No. 8.

"Indenture" means the Indenture of Trust, by and between the Authority and Zions First National Bank, as originally executed or as it may from time to time be supplemented, modified or amended pursuant to its terms.

"Independent Accountant" means any nationally recognized firm of certified public accountants or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Authority, and who, or each of whom:

- (a) is in fact independent and not under domination of the Authority, School District, or CFDs;
- (b) does not have any substantial interest, direct or indirect, with the Authority, School District or CFDs; and

- (c) is not connected with the Authority, School District or CFDs as an officer or employee of the Authority, School District, or CFDs, but who may be regularly retained to make reports to the Authority, School District, or CFDs.

"Independent Financial Consultant" means any financial consultant or firm of such financial consultants appointed by the Authority, and who, or each of whom: (a) is judged by the Authority to have experience with respect to the financing of public capital improvement projects; (b) is in fact independent and not under the domination of the Authority, the School District or CFDs; (c) does not have any substantial interest, direct or indirect, with the Authority, the School District or CFDs; and (d) is not connected with the Authority, School District or CFDs as an officer or employee of the Authority, School District or CFDs, but who may be regularly retained to make reports to the Authority, School District or CFDs.

"Information Services" means Financial Information, Inc. "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Kenny Information Services, "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; FIS/Mergent, 5250 77 Center Drive, Suite 150, Charlotte, North Carolina, 28217, Attn: Called Bond Department; Standard & Poor's Securities Evaluations, Inc., 55 Water Street, 45th Floor, New York, New York 10041; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a certificate of the Authority delivered to the Trustee.

"Insurer" means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company.

"Interest Account" means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

"Interest Payment Date" means March 15 and September 15, commencing September 15, 2007.

"Local Agency" means the School District or any CFD.

"Maximum Annual Debt Service" means the Annual Debt Service for the Bond Year in which such sum shall be the largest with respect to the Bonds.

"Mello-Roos Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Sections 53311 et seq.

"Moody's" or "Moody's Investors Services" means Moody's Investors Service, its successors and assigns.

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including particular Bonds (or portions of Bonds) described in the Indenture; and
- (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" or "Bond Owner" or "Bondholder" or "Holder," whenever used in the Indenture with respect to a Bond, means the Person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Investments" means any of the investments listed below that at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall have no duty to investigate the legality of any investments):

- A. The following obligations may be used for all purposes, including defeasance investments:
 - (1) Cash (insured at all times by the Federal Deposit Insurance Corporation).

- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
- (a) U.S. treasury obligations,
 - (b) all direct or fully guaranteed obligations,
 - (c) Farmers Home Administration,
 - (d) General Services Administration,
 - (e) Guaranteed Title XI financing,
 - (f) Government National Mortgage Association (GNMA),
 - (g) State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. The following obligations may be used as for all purposes other than defeasance investments in refunding escrow accounts:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
- (a) Export-Import Bank,
 - (b) Rural Economic Community Development Administration,
 - (c) U.S. Maritime Administration,
 - (d) Small Business Administration,
 - (e) U.S. Department of Housing & Urban Development (PHAs),
 - (f) Federal Housing Administration,
 - (g) Federal Financing Bank.
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
- (a) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
 - (b) obligations of the Resolution Funding Corporation (REFCORP);
 - (c) senior debt obligations of the Federal Home Loan Bank System;
 - (d) senior debt obligations of other Government Sponsored Agencies approved by Bond Insurer.

- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).
- (4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P including funds for which the Trustee or an affiliate provides investment advice or other services.
- (6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
 - (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.
- (8) Investment agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel).
- (9) Other forms of investments (including repurchase agreements) approved in writing by Bond Insurer.

C. The value of the above investments shall be determined as follows:

- (1) for the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;
- (2) as to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and
- (3) as to any investment not specified above: the value thereof established by prior agreement among the Authority, the Trustee, and Bond Insurer.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

"Principal Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Authority, initially being 550 S. Hope Street, Suite 2650, Los Angeles,

California 90071, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange or maintenance of the Registration Books, such term shall mean the office of the Trustee at which its corporate agency business shall be conducted, initially being the office of its corporate parent.

"Principal Repayment" means any amounts received by the Trustee representing a repayment of principal of any issue of Special Tax Bonds upon the prior redemption, prepayment or acceleration thereof.

"Principal Payment Date" means September 15 of each year.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural Person or in any activity carried on by a Person other than a natural Person, excluding use by a governmental unit and use by any Person as a member of the general public.

"Proceeds" when used with respect to the Bonds, means the face amounts of the Bonds, plus original issue premium, if any, less Underwriter's discount and original issue discount, if any.

"Program Fund" means the fund by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

"Purchase Account" means the Purchase Account of the Program Fund as established by the Trustee pursuant to the Indenture and utilized as set forth in the Indenture.

"Qualified Reserve Fund Credit Instrument" means 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 Indenture and approved as to form and substance by the Insurer, provided that all of the following requirements are met by the Authority at the time of delivery thereof to the Trustee:

- (a) the long term credit rating of such bank or insurance company is Aa or better from Moody's and AA or better from 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 Indenture; and
- (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 or the Principal Account for the purpose of making payments required pursuant to the Indenture.

"Rating Agency(ies)" means any rating agency which is then rating the Bonds, initially S&P and Moody's.

"Rebate Fund" means the fund by that name established by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

"Record Date" means the fifteenth (15th) day of the month (whether or not such day is a Business Day) preceding each Interest Payment Date.

"Redemption Account" means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

"Related Documents" means the Indenture, the Agreement, and the documents relating to the issuance and delivery of each of the Special Tax Bonds and all proceedings of any Local Agency relating to the same.

"Requisition" means a written requisition signed in the name of the Authority by its Authorized Representative.

"Reserve Fund" means the fund of that name established, held and administered by the Trustee pursuant to the provisions of the Indenture.

"Reserve Requirement" means the amount, as of the date of calculation, equal to 5% of the initial principal amount of the Bonds.

"Residual Special Tax Revenues" means those Special Tax Revenues transferred by the Fiscal Agent pursuant to the CFD Bond Indentures.

"Revenue Fund" means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

"Revenues" means, with respect to the Bonds: (a) all amounts derived from the Special Tax Bonds; (b) all moneys originally deposited with the Trustee for application for payment of principal or interest on the Bonds and all moneys held by the Trustee in the funds and accounts established in the Indenture for payment of the Bonds (excluding the Program Fund, the Authority School Facilities Fund and the Rebate Fund); and (c) investment income with respect to the funds and accounts established under the Indenture except for investment earnings on funds held in the Program Fund, the Authority School Facilities Fund and the Rebate Fund.

"S&P" or "Standard & Poor's" means Standard & Poor's Corporation, its successors and assigns.

"School District" means the Poway Unified School District, a public school district organized and operating pursuant to the provisions of the California Education Code.

"School Facilities Costs" means the amounts necessary to finance the acquisition or construction of the School Facilities and incidental expenses associated therewith of the type authorized to be financed under the Mello-Roos Act.

"School Facilities" means the Del Norte High School, and any other school facilities authorized to be financed by the CFDs.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11630, Fax (616) 227-4039 or 4190; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

"Special Record Date" means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on the Bonds, if any.

"Special Tax Bonds" means:

(a) The \$1,598,847.12 Poway Unified School District Community Facilities District No. 2 2007 Surplus Special Tax Bonds (the "CFD No. 2 Bonds") issued pursuant to Special Tax Bonds Resolution of Issuance and the CFD No. 2 Bond Indenture.

(b) The \$11,989,000 Poway Unified School District Community Facilities District No. 4 2007 Special Tax Bonds (the "CFD No. 4 Bonds") issued pursuant to Special Tax Bonds Resolution of Issuance and the CFD No. 4 Bond Indenture.

(c) The \$7,689,087.48 Poway Unified School District Community Facilities District No. 8 2007 Improvement Area B Special Tax Bonds (the "CFD No. 8 Bonds") issued pursuant to Special Tax Bonds Resolution of Issuance and the CFD No. 8 Bond Indenture.

(d) The \$1,711,000 Poway Unified School District Community Facilities District No. 9 2007 Special Tax Bonds (the "CFD No. 9 Bonds") issued pursuant to Special Tax Bonds Resolution of Issuance and the CFD No. 9 Bond Indenture.

(e) The \$38,230,000 Poway Unified School District Community Facilities District No. 10 2007 Special Tax Bonds (the "CFD No. 10 Bonds") issued pursuant to Special Tax Bonds Resolution of Issuance and the CFD No. 10 Bond Indenture.

(f) The \$7,689,000 Poway Unified School District Community Facilities District No. 12 2007 Special Tax Bonds (the "CFD No. 12 Bonds") issued pursuant to Special Tax Bonds Resolution of Issuance and the CFD No. 12 Bond Indenture.

"Special Tax Bonds Purchase Agreement" means the Special Tax Bonds Purchase Agreement, dated as of May 31, 2007, by and between the Authority and the Community Facilities Districts setting forth the terms and

conditions pursuant to which the Authority has agreed to acquire the Special Tax Bonds from the Community Facilities Districts and the Community Facilities Districts have agreed to sell the Special Tax Bonds to the Authority.

"Special Tax Bonds Resolution of Issuance" means Resolution No. 65-2007 of the Board of Trustees of the School District, acting in its capacity as the governing body of the Community Facilities Districts, adopted on April 10, 2007 and providing for the issuance of the Special Tax Bonds.

"Supplemental Indenture" means a Supplemental Indenture of Trust providing for any matter in the Indenture authorized, entered into by and between the Authority and the Trustee pursuant to the provisions of the Indenture.

"Surety Bond" means the surety bond issued by the Insurer guaranteeing certain payments into the Reserve Fund with respect to the Bonds as provided therein and subject to the limitations set forth therein.

"Surplus Fund" means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

"Tax Certificate" means that certificate of the same name, dated as of the Date of Delivery, delivered by the Authority, and executed by the School District on behalf of the CFDs, with regard to the Bonds and the Special Tax Bonds.

"Tax Code" means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a provision of the Tax Code shall include the applicable Tax Regulations promulgated with respect to such provision.

"Tax Regulations" means temporary and permanent regulations promulgated under Section 103 and related sections of the Tax Code.

"Term Bonds" means the Bonds maturing on September 15, 2028, the Bonds maturing on September 15, 2031, the Bonds maturing on September 15, 2037 and the Bonds maturing on September 15, 2042.

"Trustee" means Zions First National Bank, or its successor, as Trustee under the Indenture, or such other trustee as shall be named, provided such other trustee shall meet the requirements of the Indenture.

"Underwriter" means Stone & Youngberg LLC.

"Written Certificate" and "Written Request" of the Authority, the School District or a CFD mean, respectively, a written certificate or written request signed in the name of the Authority by its Authorized Representative, in the name of the School District by its Authorized Representative, or in the name of such CFD by its Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such certificate or request shall include the statements provided for in the Indenture.

Revenues; Funds and Accounts.

Program Fund.

The Trustee shall maintain and hold in trust such fund and account as a separate and distinct account or fund. Subject to satisfaction of the requirements of the Indenture as to each issue of Special Tax Bonds, funds deposited in the Purchase Account shall immediately be expended for the purchase of each such issue of Special Tax Bonds.

Authority Costs of Issuance Account.

The Trustee shall, on the Date of Delivery, deposit in the Authority Costs of Issuance Account the amount set forth in the Indenture to the Authority to pay Costs of Issuance and shall administer and maintain such Account as set forth in the Indenture.

The Trustee shall disburse funds from the Authority Costs of Issuance Account for Costs of Issuance upon receipt of a signed requisition substantially in the form of Exhibit C to the Indenture and approved by an Authorized Representative.

Upon the earlier of: (i) payment in full of all Costs of Issuance, which shall be determined by a certificate to the Trustee to that effect by an Authorized Representative; or (ii) six months following the Date of Delivery, the Trustee shall transfer the funds, if any, remaining in the Authority Costs of Issuance Account to the Authority School Facilities Fund. Upon the occurrence of such transfers, the Trustee shall then close the Authority Costs of Issuance Account.

Pledge and Assignment; Revenue Fund.

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues, and any other amounts held in any fund or account established pursuant to the Indenture (excluding the Program Fund, the Authority School Facilities Fund, and the Rebate Fund), are pledged (as set forth therein) by the Authority to secure the full and timely payment of the principal of and interest and premium, if any, of the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Bonds by the Trustee and the Revenues and other items pledged thereunder shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act.

(b) Subject to the provisions of the Indenture, the Authority pledges and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues, all of the moneys and securities in the funds and accounts created under the Indenture, except the Program Fund, the Authority School Facilities Fund, and the Rebate Fund, as their interests appear and other amounts pledged in paragraph (a) above and all of the right, title and interest of the Authority in the Special Tax Bonds. The Authority shall collect and receive, or cause to be collected and received by the Trustee, all such Revenues, and Revenues collected or received by the Authority, or collected and received by the Trustee on behalf of the Authority, shall be deemed to be held, and to have been collected or received, by the Authority, in trust, and shall be paid to the Trustee as set forth therein. The Trustee also shall be entitled to and may take all steps, actions, and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately by itself, all of the rights of the Authority and all of the obligations of any CFD with respect to its Special Tax Bonds.

(c) Subject to the provisions of the Indenture, all Revenues shall be promptly transferred to the Trustee by the Authority. All Revenues, other than Principal Repayments, shall be deposited by the Trustee upon receipt thereof in the Revenue Fund which the Trustee shall maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. All Principal Repayments shall be deposited by the Trustee upon receipt thereof in the Redemption Account of the Bond Fund.

Bond Fund; Allocation of Revenues.

On each Interest Payment Date the Trustee shall transfer Revenues then in the Revenue Fund into the following funds and accounts, in the following amounts and in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required transfer) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) The Trustee shall transfer to the Interest Account, if necessary, an amount which, together with the amounts then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on the Bonds on such Interest Payment Date and any amount of interest previously due and unpaid.

(b) The Trustee shall, on September 15 of each year during the term of the Bonds, transfer to the Principal Account, if necessary, an amount which, together with the amounts then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal and/or mandatory sinking account payment coming due and payable on the Bonds on such September 15 and any amount of principal previously due and unpaid.

(c) On each Interest Payment Date on which the balance in the Reserve Fund is less than the Reserve Requirement, the Trustee shall transfer to the Reserve Fund an amount sufficient to increase the balance in the Reserve Fund to the Reserve Requirement.

(d) On any Interest Payment Date on which the amount on deposit in the Revenue Fund is inadequate to make the transfers described in (a) and (b) above as a result of a default in the scheduled payment of principal of and/or interest on the Bonds, the Trustee shall immediately notify the Deputy Superintendent and the Insurer of the amount of such payment default. In the event that the Trustee receives all or any portion of the principal of and/or interest on the Bonds the payment of which is in default, the Trustee shall disburse or transfer such funds in the following order of priority: (i) to pay, on a pro rata basis, to the Insurer any outstanding Guaranty Agreement Reimbursements and any amounts due under any other Qualified Reserve Fund Instrument resulting from such payment; (ii) for deposit in the Reserve Fund such amount as shall be necessary to replenish the amount of any transfers of cash from the Reserve Fund to the Interest Account or the Principal Account resulting from such payment default; and (iii) for deposit in the Revenue Fund any amount remaining following the transfer required pursuant to (i) and (ii).

(e) The Trustee shall transfer to the Rebate Fund an amount, if any, to increase the amount on deposit in the Rebate Fund to the Rebate Requirement as the Authority may direct by Written Certificate.

(f) The Trustee shall transfer to the Authority Administrative Expense Fund such amount as the Authority may direct by Written Certificate as necessary to pay Authority Administrative Costs.

(g) On the Business Day following each Principal Payment Date, the Trustee shall transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund to be applied as provided in the Indenture.

Interest Account.

Subject to the provisions of the Indenture, all amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable or, at the Written Request of the Authority filed with the Trustee, to apply to the payment of accrued interest on any Bonds purchased by the Authority pursuant to the Indenture in lieu of redemption pursuant to the Indenture. Any amounts on deposit in the Interest Account on any September 16 which are not required to pay interest then due and payable on the Bonds shall be transferred to the Surplus Fund. In the event that the deposit in the Interest Account on any Interest Payment Date or redemption date, after any transfers from the Reserve Fund pursuant to the Indenture, are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee shall apply such amounts of the payment of interest on each of the Outstanding Bonds on a pro rata basis so that an equal percentage of the interest due on each Bond is paid.

Principal Account.

Subject to the provisions of the Indenture, all amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal of the Bonds upon the stated maturity thereof or upon any prior redemption of the Bonds with the proceeds of mandatory sinking payments. Any amounts on deposit in the Principal Account on any September 16 which are not required to pay the principal amount then due and payable on the Bonds shall be transferred to the Surplus Fund. In the event that the amounts on deposit in the Principal Account on any Interest Payment Date or date of redemption, after any transfers from the Reserve Fund pursuant to the Indenture, are insufficient for any reason to pay the aggregate principal amount of, and premium (if any) on, the Outstanding Bonds then coming due and payable (whether at maturity or upon the redemption thereof), the Trustee shall apply such amounts in the following order of priority: (i) first, to the payment of the principal of the Outstanding Bonds which mature by their terms or are to be redeemed pursuant to the Indenture; and (ii) second, to the payment of the principal of any redemption premium (if any) on the Outstanding Bonds which mature by their terms or are to be redeemed pursuant to the Indenture, in each case on a pro rata basis so that an equal percentage of the principal maturing or being redeemed under (i) above is paid first, followed by the payment of an equal percentage under (ii).

Surplus Fund.

Following the deposits pursuant to the Indenture, moneys remaining in the Revenue Fund on each September 16th shall be deposited by the Trustee into the Surplus Fund. Moneys transferred to the Trustee from the Fiscal Agent pursuant to the CFD Bond Indentures representing Residual Special Tax Revenues shall also be deposited in the Surplus Fund.

Moneys deposited in the Surplus Fund may be used at any time for one or more of the following purposes and shall be transferred by the Trustee as follows:

(a) to the Interest Account or the Principal Account of the Bond Fund to pay the principal of, including mandatory sinking fund payments, premium, if any, and interest on the Bonds when due in the event that moneys in the Revenue Fund are insufficient to make any deposits required pursuant to the Indenture;

(b) to the Reserve Fund in order to replenish the Reserve Fund to the Reserve Requirement in the event that the moneys in the Revenue Fund are insufficient to make any deposit required pursuant to the Indenture;

(c) to the Rebate Fund as the Authority may direct by Written Certificate to increase the amount on deposit therein to the Rebate Requirement if the moneys in the Revenue Fund are insufficient to make any deposit required pursuant to the Indenture; and

(d) on September 15th of any Bond Year following the scheduled payment of principal of and interest on the Bonds due and payable during such Bond Year, to the Administrative Expense Fund as the Authority may direct by Written Certificate if the moneys in the Revenue Fund are insufficient to make any deposit required pursuant to the Indenture.

Moneys transferred to the Surplus Fund on September 16th of any Bond Year pursuant to the Indenture or moneys representing Residual Special Tax Revenues transferred to the Trustee for deposit in the Surplus Fund on September 2 of any prior Bond Year (collectively, such moneys shall be referred to as an "Annual Retained Surplus") shall be retained in the Surplus Fund until March 16th of such Bond Year (the "Annual Retention Period") and shall be used for the purposes described in the preceding paragraph. Annual Retained Surplus remaining on deposit in the Surplus Fund on March 16th of such Bond Year shall no longer be designated as either Annual Retained Surplus or Revenues, shall no longer be pledged to the payment of the Bonds and, upon the receipt of a Written Request of the Authority, shall be transferred to the School District on behalf of the Community Facilities Districts and used only for authorized purposes of the Community Facilities Districts.

Redemption Account.

The Trustee shall deposit in the Redemption Account any amounts required or permitted to be applied to the redemption of Bonds (exclusive of mandatory sinking fund redemptions on the Term Bonds) pursuant to the Indenture.

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

Reserve Fund.

On the Date of Delivery, the Trustee shall deposit into the Reserve Fund (i) the proceeds of the Bonds specified in the Indenture representing fifty percent of the Reserve Requirement as of such date and (ii) the Surety Bond representing fifty percent of the Reserve Requirement as of such date.

There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement.

Moneys in the Reserve Fund shall be used solely for the purposes set forth in the Indenture. Subject to the limitations set forth in the following paragraph, amounts in the Reserve Fund shall be applied to pay the principal of, including sinking fund payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Bond Fund are insufficient therefor. In addition, cash amounts, if any, in the Reserve Fund may be applied in connection with an optional redemption pursuant to the Indenture or a mandatory redemption pursuant to the Indenture or a defeasance pursuant to the Indenture of the Bonds in whole or in part, or when the balance therein equals the principal and interest due on the Bonds to and including maturity, or in accordance with the provisions of paragraph (e) below, to pay the principal of and interest due on the Bonds to maturity. Any amounts in the Reserve Fund in excess of what the Reserve Requirement will be following such an

optional redemption, mandatory redemption, or partial defeasance of the Bonds shall be applied toward such optional redemption, mandatory redemption, or defeasance of Bonds, as applicable.

If the amounts in the Interest Account and/or the Principal Account of the Bond Fund are insufficient to pay the principal of, including sinking fund payments, or interest on the Bonds when due, the Trustee shall withdraw from the Reserve Fund for deposit in the Interest Account and/or the Principal Account, as applicable, moneys necessary for such purposes. All cash and investments in the Reserve Fund, if any, shall be transferred for payment of debt service on the Bonds before any draw may be made on the Surety Bond and/or any other Qualified Reserve Fund Credit Instrument included within the Reserve Fund.

In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under another Qualified Reserve Fund Instrument, draws on the Surety Bond and such Qualified Reserve Fund Credit Instrument shall be made on a pro rata basis to fund the insufficiency.

As long as the Surety Bond shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions:

In the event and to the extent that moneys on deposit in the Bond Fund, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Surety Bond, are insufficient to pay the amount of principal and interest coming due, then upon the later of: (A) one (1) day after receipt by the General Counsel of the Insurer of a demand for payment in the form attached to the Surety Bond (the "Demand for Payment"), duly executed by the Trustee certifying that payment due under the Indenture has not been made to the Trustee; or (B) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to the General Counsel of the Insurer, the Insurer will make a deposit of funds in an account with the Trustee or its successor, in New York, New York, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee under the Indenture (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Surety Bond; provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under an additional Qualified Reserve Fund Credit Instrument, draws on the Surety Bond and the additional Qualified Reserve Fund Credit Instrument shall be made on a pro rata basis to fund the insufficiency.

The Trustee shall, after submitting to the Insurer the Demand for Payment as provided in (i) above, make available to the Insurer all records relating to the Funds and Accounts maintained under the Indenture.

The Trustee shall, upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the Reserve Fund to the extent of moneys received pursuant to such Demand.

The Reserve Fund shall be replenished in the following priority: (A) principal and interest on the Surety Bond and on any additional Qualified Reserve Fund Credit Instrument shall be paid on a pro rata basis from the first available Revenues; (B) after all amounts as described in (A) are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond and any additional Qualified Reserve Fund Credit Instrument shall be deposited from next available Revenues.

The Trustee shall, pursuant to a Written Certificate of the Authority notifying the Trustee that a prepayment of the special tax obligation for a property in a CFD has occurred, transfer the amount of the applicable CFD Prepayment Credit specified in such Written Certificate to the Fiscal Agent for the applicable Series of Special Tax Bonds for deposit in the Redemption Account established pursuant to the applicable CFD Bond Indenture.

The Trustee shall, pursuant to a Written Certificate of the Authority, disburse or transfer on the following dates from the cash amount then on deposit in the Reserve Fund the following amounts:

- (i) on September 1, 2032, an amount equal to the CFD No. 2 Bonds Reserve Fund Credit Amount, minus (A) an amount equal to the Guaranty Agreement Reimbursements, if any, then due and payable by CFD No. 2 to the Insurer pursuant to the provisions of the Funding allocation Agreement which shall be disbursed to the Insurer; provided, however, the amount of such disbursement shall not exceed the CFD No. 2 Bonds Reserve Fund Credit Amount and (B) the amount of any transfer previously made pursuant to paragraph (c) above necessitated as a result of a deficiency in the scheduled payment of principal of or interest on the CFD No. 2 Bonds which has not previously been reimbursed, shall be transferred to the Interest Account and the Principal Account as

a credit against the payments due on the CFD No. 2 Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on the CFD No. 2 Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of the CFD No. 2 Bonds on such date;

- (ii) on September 1, 2032, an amount equal to the CFD No. 8 Bonds Reserve Fund Credit Amount, minus (A) an amount equal to the Guaranty Agreement Reimbursements, if any, then due and payable by CFD No. 8 to the Insurer pursuant to the provisions of the Funding Allocation Agreement which shall be disbursed to the Insurer; provided however, the amount of such disbursement shall not exceed the CFD No. 8 Bonds Reserve Fund Credit Amount and (B) the amount of any transfer previously made pursuant to paragraph (c) above necessitated as a result of a deficiency in the scheduled payment of principal of or interest on the CFD No. 8 Bonds which has not previously been reimbursed, shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on the CFD No. 8 Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on the CFD No. 8 Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of the CFD No. 8 Bonds on such date;
- (iii) on September 1, 2032, an amount equal to the CFD No. 9 Bonds Reserve Fund Credit Amount, minus (A) an amount equal to the Guaranty Agreement Reimbursement, if any, then due and payable by CFD No. 9 to the Insurer pursuant to the provisions of the Funding Allocation Agreement which shall be disbursed to the Insurer; provided, however, the amount of such disbursement shall not exceed the CFD No. 9 Bonds Reserve Fund Credit Amount and (B) the amount of any transfer previously made pursuant to paragraph (c) above necessitated as a result of a deficiency in the scheduled payment of principal of or interest on the CFD No. 9 Bonds which has not previously been reimbursed, shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on the CFD No. 9 Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on the CFD No. 9 Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of the CFD No. 9 Bonds on such date;
- (iv) on September 1, 2038, an amount equal to the CFD No. 10 Bonds Reserve Fund Credit Amount, minus (A) an amount equal to the Guaranty Agreement Reimbursement, if any, then due and payable by CFD No. 10 to the Insurer pursuant to the provisions of the Funding Allocation Agreement which shall be disbursed to the Insurer; provided, however, the amount of such disbursement shall not exceed the CFD No. 10 Bonds Reserve Fund Credit Amount and (B) the amount of any transfer previously made pursuant to paragraph (c) above necessitated as a result of a deficiency in the scheduled payment of principal of or interest on the CFD No. 10 Bonds which has not previously been reimbursed, shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on the CFD No. 10 Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on the CFD No. 10 Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of the CFD No. 10 Bonds on such date;
- (v) on September 1, 2040, an amount equal to the CFD No. 12 Bonds Reserve Fund Credit Amount, minus (A) an amount equal to the Guaranty Agreement Reimbursement, if any, then due and payable by CFD No. 12 to the Insurer pursuant to the provisions of the Funding Allocation Agreement which shall be disbursed to the Insurer; provided, however, the amount of such disbursement shall not exceed the CFD No. 12 Bonds Reserve Fund Credit Amount and (B) the amount of any transfer previously made pursuant to paragraph (c) above necessitated as a result of a deficiency in the scheduled payment of principal of or interest on the CFD No. 12 Bonds which has not previously been reimbursed, shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on the CFD No. 12 Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on

the CFD No. 2 Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of the CFD No. 2 Bonds on such date;

- (vi) on September 1, 2042, an amount equal to the CFD No. 4 Bonds Reserve Fund Credit, minus (A) an amount equal to the Guaranty Agreement Reimbursement, if any, then due and payable by CFD No. 4 to the Insurer pursuant to the provisions of the Funding Allocation Agreement which shall be disbursed to the Insurer; provided, however, the amount of such disbursement shall not exceed the CFD No. 4 Bonds Reserve Fund Credit Amount and (B) the amount of any transfer previously made pursuant to paragraph (c) above necessitated as a result of a deficiency in the scheduled payment of principal of or interest on the CFD No. 4 Bonds which has not previously been reimbursed, shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on the CFD No. 4 Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on the CFD No. 4 Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of the CFD No. 4 Bonds on such date.

If on the first Business Day following a Principal Payment Date, the amount of money on deposit in the Reserve Fund, together with the principal amount of any Qualified Reserve Fund Credit Instrument, exceeds the Reserve Requirement, money in an amount equal to such excess shall be withdrawn from the Reserve Fund and transferred to the Interest Account.

The Authority shall have the right at any time to direct the Trustee to release funds from the Reserve Fund, in whole or in part, by tendering to the Trustee a Qualified Reserve Fund Instrument. Upon tender of such items to the Trustee, and upon delivery by the Authority to the Trustee of a written calculation of the amount permitted to be released from the Reserve Fund (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Fund to the District to be applied in accordance with the Bond Law. The Trustee shall comply with all documentation relating to a Qualified Reserve Fund Credit Instrument as shall be reasonably required to maintain such Qualified Reserve Fund Credit Instrument in full force and effect and as shall reasonably be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. Upon the expiration of any Qualified Reserve Fund Credit Instrument, the Authority shall be obligated either (i) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee or to draw upon the Qualified Reserve Fund Credit Instrument prior to its maturity or renewal date an amount of funds such that amounts on deposit in the Reserve Fund shall equal the Reserve Requirement.

Authority Administrative Expense Fund.

The Authority shall establish with the Trustee a special fund designated the "Authority Administrative Expense Fund" which the Trustee shall maintain and hold in trust. The Authority shall deposit amounts transferred to the Trustee from the Fiscal Agent for Special Tax Bonds for deposit in the Authority Administrative Expense Fund to pay Authority Administrative Expenses and shall administer and maintain such Fund as set forth in the Indenture.

The Trustee shall, from time to time, disburse funds from the Authority Administrative Expense Fund for Authority Administrative Expenses upon receipt of a signed requisition substantially in the form of Exhibit D and approved by an Authorized Representative.

Authority School Facilities Fund.

The Trustee shall, from time to time, disburse moneys from the Authority School Facilities Fund to pay School Facilities Costs. Upon receipt of a payment request of the Authority duly executed by an Authorized Representative, the Trustee shall pay the School Facilities Costs from amounts in the Authority School Facilities Fund directly to the contractor or such other person, corporation or entity entitled to payment under the Indenture (including reimbursements, if any, to the Authority) unless the Authority requests payment to be made to the contractor or such other party jointly, in which case said School Facilities Costs shall be paid jointly. The Trustee may rely on an executed payment request as complete authorization for said payments.

After the final payment or reimbursement of all School Facilities Costs as certified by delivery of a written notice from an Authorized Representative of the Authority to the Trustee, the Trustee shall transfer excess moneys,

if any, on deposit in, or subsequently deposited in, the Authority School Facilities Fund to the Fiscal Agent for the CFDs on a pro rata basis, for deposit in the Special Tax Fund established for each such Special Tax Bonds Purchase Agreement.

Rebate Fund.

(a) As required by the Tax Certificate, the Authority covenants that it shall calculate the annual Excess Investment Earnings and shall transmit to the Trustee for deposit to the Rebate Fund an amount equal to the Excess Investment Earnings for the Bonds, if any, from any legally available moneys of the Authority. Neither the Authority nor the Owners of any Bonds shall have any rights in or claim to such moneys. All such calculations described in this paragraph shall be made in the manner set forth in the Tax Regulations. The calculations of Excess Investment Earnings required under the Indenture shall be made by an Independent Financial Consultant whose calculations of rebate amounts under the Tax Code and the Tax Regulations have been accepted by other public agencies.

(b) **Payment of Excess Investment Earnings.** As required by the Tax Certificate, the Authority shall direct the Trustee to pay from moneys in the Rebate Fund, or from other moneys of the Authority legally available therefore if the deposit therein is insufficient, to the United States an amount that equals at least 90% of the Excess Investment Earnings as of the end of the Bond Year immediately preceding the date of each payment. No later than 60 days after the day on which the last Bond is paid or redeemed, the Authority covenants that it shall pay to the United States from the Rebate Fund or from other legally available moneys of the Authority an amount equal to 100% of the theretofore unpaid Excess Investment Earnings plus earnings on such Excess Investment Earnings received or accrued after the final payment of such earnings as required by the Tax Regulations. The Authority shall direct the Trustee in writing to remit such payments to the United States at the address and in the manner prescribed by the Tax Regulations as the same may be from time to time in effect, together with such reports and statements prepared by the Authority as may be prescribed by the Regulations.

(c) **Record of Investments.** The Authority covenants that it shall keep and retain for a period of six years following the retirement of the Bonds records of the determinations made pursuant to the Indenture and as required by the Tax Certificate. The Trustee shall keep a record of all investments made with moneys on deposit in any fund or account established under the Indenture. Such records shall contain a reference to the date of purchase, the date of sale, the purchase price, the sales price, the principal amount and coupon rate of each obligation purchased or sold.

(d) **Deficiency of Available Moneys.** Payments pursuant to the Indenture shall be made to the maximum extent possible from moneys on deposit in the Rebate Fund. In the event of any remaining deficiency in available moneys for the purposes of such transfer, such deficiency shall be paid by the Authority from any legally available funds of the Authority.

(e) **Computation of Excess Investment Earnings.** Notwithstanding the foregoing, the method of computing Excess Investment Earnings described in the Indenture or the Tax Certificate, as applicable, may be modified, in whole, or in part, without the consent of the Bond Owners, upon receipt by the Authority of an opinion of counsel to the effect that such modification will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds theretofore issued. Notwithstanding the foregoing, if the Authority shall obtain an opinion of counsel that any specified action under the Indenture is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Authority and the Trustee may conclusively rely on such opinion in complying with the requirements under the Indenture, and the terms of this paragraph (e) shall be deemed modified to that extent.

Additional Funds and Accounts.

The Trustee may establish additional accounts or subaccounts of the above-described funds and accounts as the Trustee shall deem necessary in furtherance of its duties pursuant to the Indenture. The Authority may request the establishment of such additional accounts as it deems necessary to meet its obligations pursuant to the Indenture and the Trustee shall establish such accounts.

Investment of Moneys.

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority two (2) Business Days prior to the making of such investment. Such investment instructions shall

certify that the investment is a Permitted Investment. Permitted Investments may be purchased at such prices as the Authority shall determine. All Permitted Investments shall be acquired subject to any restrictive instructions given to the Trustee in writing pursuant to the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by the Written Request of the Authority. Absent timely written direction from the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in clause B.(7) of the definition thereof. The Trustee may commingle moneys in any of the funds and accounts held under the Indenture, other than those in the Rebate Fund, for investment purposes. Permitted Investments that are registrable securities shall be registered in the name of the Trustee.

Subject to the restrictions set forth in the Indenture and/or any written investment instructions received by the Trustee pursuant to the Indenture, moneys in all funds and accounts, except for the Reserve Fund, shall be invested in Permitted Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which it is estimated that such moneys will be required by the Trustee for the purposes specified in the Indenture.

Moneys in the Reserve Fund, if any, may be invested only in Permitted Investments which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an Investment Agreement of a longer maturity so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Indenture.

Except for moneys held in the Rebate Fund (which shall be retained therein), all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Interest Account of the Bond Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investments equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investments shall be credited to the fund from which such accrued interest was paid.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture shall be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers;

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above: the value thereof established by prior agreement among the Authority, the Trustee, and the Insurer.

The Trustee and its affiliates may act as principal, agent or sponsor, advisor, or depository in the making or disposing of any investment and may receive compensation in connection therewith. Upon the Written Request of the Authority, or as required for the purposes of the provisions of the Indenture, the Trustee shall sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture.

Covenants.

Punctual Payment.

The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Extension of Payment of Bonds.

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement,

and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal, of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances.

The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its legitimate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge Assignment.

The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Special Tax Bonds and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee, subject to the provisions of the Indenture, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all Persons whomsoever.

Accounting Records and Financial Statement.

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the Bond proceeds, the Revenues, the Special Tax Bonds and all funds and accounts established with the Trustee pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the Insurer, any Independent Financial Consultant, the Underwriter, the School District, and the CFDs, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee.

The Authority shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Bond Proceeds, the Revenues, the Special Tax Bonds and all funds and accounts established pursuant to the Indenture (other than those records and accounts kept by the Trustee). Such books of record and account shall be available for inspection by the Trustee, the Insurer, any Independent Financial Consultant, the School District, and the CFDs, during regular business hours and upon twenty-four (24) hours prior notice and under reasonable circumstances as agreed to by the Authority.

The Insurer shall have the right to direct an accounting at the Authority's expense, and the Authority's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Insurer shall be deemed a default under the Indenture; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owner of the Bonds.

Waiver of Laws.

The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may have a material adverse effect on the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority to the extent permitted by law.

No Arbitrage.

The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had

been deliberately and intentionally taken, on the Date of Delivery would have caused any of the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

Compliance with Rebate Requirement.

The Authority shall assure compliance with the requirements for a rebate of excess investment earnings to the federal government in accordance with section 148(f) of the Tax Code and applicable Tax Regulations.

Private Business Use Limitation.

The Authority shall assure that:

(a) no more than ten percent (10%) of the Proceeds of the Bonds (as defined in the Tax Code) is used for Private Business Use (as defined in the Tax Code) if, in addition, the payment of the principal of, or the interest on, more than ten percent (10%) of the Proceeds of the Bonds is (under the terms of the Bonds or any underlying arrangement) directly or indirectly, (i) secured by any interest in property, or payments in respect of property, used or to be used for a Private Business Use, or (ii) to be derived from payments (whether or not to the Authority) in respect of property, or borrowed money, used or to be used for a Private Business Use; and

(b) in the event that in excess of five percent (5%) of the Proceeds of the Bonds is used for a Private Business Use, and, in addition, the payment of the principal of, or the interest on, more than five percent (5%) of the Proceeds of the Bonds is (under the terms of the Bonds or any underlying arrangement), directly or indirectly, secured by any interest in property, or payments in respect of property, used or to be used for said Private Business Use or is to be derived from payments (whether or not to the Authority) in respect of property, or borrowed money, used or to be used for a Private Business Use, then, (A) said excess over said five percent (5%) of the Proceeds of the Bonds which is used for a Private Business Use shall be used for a Private Business Use related to a government use of such proceeds, and (B) each such Private Business Use over five percent (5%) of the Proceeds of the Bonds which is related to a government use of such Proceeds shall not exceed the amount of such Proceeds which is used for the government use of Proceeds to which such Private Business Use is related.

Limitation of Use of Proceeds for the Bonds.

In the event that loans are made, directly or indirectly, to a borrower other than a governmental unit, the Authority shall assure that not in excess of five percent (5%) of the Proceeds of the Bonds is used for such purpose. The provisions of this paragraph do not apply to loans constituting non-purpose investments or to loans which enable the borrower to finance any governmental tax or assessment of general application for specific essential governmental functions.

Federal Guarantee Prohibition.

The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code and applicable Tax Regulations.

Special Tax Bonds.

The Authority shall cause to be collected and paid to it all Revenues payable with respect to the Special Tax Bonds promptly as such Revenues become due and payable, and shall vigorously enforce and cause to be enforced all rights of the Authority and the Trustee under and with respect to the Special Tax Bonds. Upon any failure of the Authority to perform as required by the Indenture, the Trustee shall, subject to the provisions of the Indenture, take appropriate actions to collect and cause the Revenues to be paid to the Trustee. The Authority shall instruct the CFDs to authenticate and deliver to the Trustee the Special Tax Bonds registered in the name of the Trustee.

Continuing Disclosure.

The Authority has covenanted and agreed that it will carry out the provisions of the Continuing Disclosure Agreement. Notwithstanding any provision in the Indenture to the contrary, failure by the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default for purposes of the Indenture; however, the Bond Owners may take such actions as may be necessary and appropriate, including seeking a mandate or specific performance by court order, to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement, as specified therein.

The Authority shall cause a copy of any notice provided pursuant to the Continuing Disclosure Agreement to be provided to the Insurer.

Compliance with State Reporting Guidelines.

The Authority shall comply with the state of California (the “State”) reporting guidelines as required by the provisions of the Act. Notwithstanding any provision in the Indenture to the contrary, failure by the Authority to comply with the State reporting guidelines shall not be considered an Event of Default for purposes of the Indenture; however, any Bond Owner may take such actions as may be necessary and appropriate, including seeking a mandate or specific performance by court order, to cause the Authority to comply with its obligations under this covenant.

Limitation on Additional Bonds.

The Authority shall not issue any other bonds, or other securities secured by the same Revenues as are used to secure the Bonds. However, the foregoing shall not be interpreted to prevent a refunding of the Bonds, or to prevent the Authority from consenting to a refunding of the Special Tax Bonds, provided that the security of the Owners in the Revenues pledged, or pursuant to the Indenture, is maintained.

Sale of Special Tax Bonds.

Notwithstanding anything in the Indenture to the contrary, following prior notice to each Rating Agency, the Authority may cause the Trustee to sell, from time to time, all or a portion of the Special Tax Bonds (as shall be designated by the Authority at the time) and use the proceeds of such sale to purchase or redeem Outstanding Bonds; provided that the Authority shall deliver to the Trustee:

(a) a certificate from an Independent Accountant or Independent Financial Consultant to the effect that, following the disposition of such Special Tax Bonds, the Revenues to be paid to the Trustee (assuming the timely payment of the amounts due thereon with regard to any Special Tax Bonds not then in default), together with interest and principal due on any Permitted Investments identified in paragraph B.(5) of the definition of Permitted Investments pledged to the repayment of the Bonds or the Revenues then on deposit in the Funds and Accounts established under the Indenture (valuing any Permitted Investments held thereunder at the fair market value thereof), will be sufficient to pay the principal of and interest on the Bonds when due;

(b) a certificate of the Insurer consenting to the sale of such Special Tax Bonds; and

(c) an opinion of Bond Counsel to the effect that such sale of the Special Tax Bonds is authorized under the provisions of the Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of State or federal income taxation.

Upon compliance with the foregoing conditions, the Trustee shall sell such designated Special Tax Bonds in accordance with the Written Request of the Authority and disburse the proceeds of such sale at the direction of the Authority to be applied to the redemption, purchase or defeasance of Bonds or upon the request of the Authority shall deposit such proceeds in the Revenue Fund or Redemption Fund to be applied to the redemption, purchase or defeasance of Bonds, as appropriate.

Further Assurances.

The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Events of Default and Remedies of Bond Owners.

Events of Default; Notice of Event of Default.

With respect to the Bonds, the following events shall be Events of Default:

(a) if default by the Authority shall be made in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for sinking fund redemption, or otherwise;

(b) if default by the Authority shall be made in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable;

(c) if default shall be made by the Authority in the observance of any of the other covenants, agreements, or conditions on its part in the Indenture, if such default shall have continued for a period of thirty (30) days after written notice thereof and specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding as determined in the Indenture; provided, however, if the failure stated in the notice can be corrected (other than a failure to pay the Trustee's fees and expenses, which may only be waived by the Trustee), but not within the applicable period, the Authority, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected; and

(d) the occurrence of an Event of Bankruptcy with respect to the Authority.

Notwithstanding any other provision of the Indenture, the Trustee shall, immediately upon gaining knowledge of the occurrence of an Event of Default under the Indenture, provide written notice thereof to the Insurer to the attention of the general counsel's office.

No Acceleration.

The Bonds are not subject to acceleration in the payment of interest or principal.

Remedies of Bond Owners.

Subject to the provisions of the Indenture, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners:

(a) by mandamus, suit, action or proceeding, to compel the Authority and its members, officers, agents or employees to perform each and every term, provision, and covenant contained in the Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority in respect of such Series and the fulfillment of all duties imposed upon it by the Bond Law;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful or the violation of any of the Bond Owners' rights; or

(c) upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the Authority and its members and employees to account as if it and they were the trustees of an express trust.

Application of Revenues and other Funds After Default.

If an Event of Default with respect to the Bonds, shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Authority shall immediately upon receipt by the Authority be transferred by the Authority to the Trustee and be deposited by the Trustee in the appropriate accounts of the Bond Fund and all amounts held in the Revenue Fund by the Trustee and all Revenues and any other funds (excluding the Rebate Fund) then held or thereafter received by the Authority or the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any fees and expenses of the Trustee necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture; and

(b) to the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: to the payment to the Persons entitled thereto of all payments of interest on the Bonds then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be

sufficient to pay in full all of the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bond Owners.

Subject to the provisions of the Indenture, the Trustee is irrevocably appointed as trustee and true and lawful attorney-in-fact of the Owners of the Bonds (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, the Indenture, the Bond Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee and such Owners under the Bonds, the Indenture, the applicable Supplemental Indenture, the Bond Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture, or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds as their interests appear, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default with respect to the Bonds, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture in respect of the Bonds; provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and if the Bonds are no longer Outstanding, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue.

No Owner of any of the Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Agreement, the Bond Law, or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default with respect to the Bonds; (b) the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be condition precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that one or more Owners of Bonds shall not have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Bond Law or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and

protection of all Owners of the Outstanding Bonds as their interests appear, subject to the provisions of the Indenture.

Consent of the Insurer Upon Occurrence of an Event of Default.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined in the Indenture, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owner or the Trustee for the benefit of the Owners under the Indenture.

Absolute Obligation of Authority.

Nothing in any other provision of the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture and subject to the restrictions set forth therein, but only out of the Revenues and other assets in the Indenture pledged therefor and received by the Authority or the Trustee, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Indenture.

Termination of Proceedings.

In case any proceedings taken by the Trustee, or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, or the Bond Owners, then in every such case the Authority, the Trustee, and the Bond Owners, object to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive.

No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default.

No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee, or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Consent of the Insurer Upon Event of Bankruptcy.

Any reorganization or liquidation plan with respect to the Authority must be acceptable to the Insurer. In the event of any reorganization or liquidation, the Insurer shall have the right to vote on behalf of all Owners absent a default by the Insurer under the Bond Insurance Policy.

Modification or Amendment of the Indenture.

Amendments Permitted.

(a) The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into (i) to conform to the official statement dated May 31, 2007, with respect to the Bonds; and (ii) with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, which shall have been filed with the Trustee. No such modification or amendment shall: (i) extend the fixed maturity of any Bonds, reduce the amount of principal thereof, reduce the rate of interest thereon, extend the time of payment, or reduce any premium payable upon redemption of the Bonds without the consent of the Owner of each Bond so affected; or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment; or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the liens created by the Indenture or deprive the Owners of

the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture, the Trustee shall cause to be mailed a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books and the Insurer. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and any Supplemental Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Authority and the Trustee may enter into, without the consent of any Bond Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or as to any other provisions of the Indenture as the Authority may deem necessary or desirable, in any case which do not adversely affect the security for the Bonds granted under the Indenture;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income for purposes of federal income taxation by the United States of America;

(v) to supplement the Indenture to provide for the issuance of bonds to refund the Bonds, subject to the limitations of the Indenture; and

(vi) to modify or amend any provision of the Indenture with any effect and to any extent whatsoever permissible by law, provided that any such modification or amendment shall apply only to the Bonds issued and delivered subsequent to the execution and delivery of the applicable Indenture.

(c) Copies of any amendment hereto or Supplemental Indenture entered into pursuant to (a) or (b), above, shall be provided to Standard & Poor's at least ten (10) days prior to the effective date thereof; provided, however, that failure to provide such copies, or provide such copies by the specified date shall not in any way impair or affect the validity of such amendment or Supplemental Indenture.

Consent of the Insurer.

Any provision of the Indenture expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer under the Indenture without the prior written consent of the Insurer.

Unless otherwise provided in the Indenture, the Insurer's consent shall be required in addition to Owner consent, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture; (ii) removal of the Trustee and selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Owner consent.

Effect of Supplemental Indenture.

Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined,

exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds: Preparation of New Bonds.

Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Amendment of Particular Bonds.

The provisions of the Indenture shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Amendment of Special Tax Bonds.

Nothing in the Indenture, or in any applicable Supplemental Indenture (unless such Supplemental Indenture shall provide expressly to the contrary), shall prohibit the Authority, with the prior written consent of the Insurer, from consenting to the amendment, supplement or other modification of any Special Tax Bonds or the proceedings providing for the issuance thereof provided that the Authority shall first deliver to the Trustee a Written Certificate describing such amendment, supplement, or other modification and stating that such amendment, supplement, or other modification will not adversely affect the security of the Owners of the Bonds under the Indenture and the applicable Supplemental Indenture, together with (i) a certificate of an Independent Financial Consultant stating that such amendment, supplement, or other modification will not adversely impact the Authority's ability to pay principal and interest of the Bonds (used to acquire such Special Tax Bonds); and (ii) an opinion of Authority Bond Counsel that such amendment, supplement or other modification will not impair the exclusion from gross income of interest on the Bonds for purposes of federal income taxation by the United States of America. The Trustee shall take such actions as shall be directed by the Authority in writing in implementation of such amendment, supplement, or other modification, including, without limitation, the acceptance by the Trustee of revised Special Tax Bonds in exchange for the amended, supplemented, or otherwise modified Special Tax Bonds.

Defeasance of the Bonds.

Discharge of Indenture.

The Bonds, or any portion thereof, may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium, if any, on the Bonds or any portion thereof, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee, or other designated escrow holder, in trust (pursuant to an escrow agreement), at or before maturity, Defeasance Obligations in the necessary amount (as provided in the Indenture) to pay or redeem all or any portion of the Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all or any portion of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority including, without limitation, any compensation or other amounts due and owing the Trustee thereunder, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture and the documentation set forth in the following sentence), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and

all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. Prior to any defeasance becoming effective, the Authority shall cause to be delivered to the Trustee and the Insurer: (i) an executed copy of a report, addressed to the Trustee and the Insurer of an Independent Accountant, verifying that the Defeasance Obligations and cash, if any, satisfy the requirements of (a), (b) or (c) above; (ii) a copy of any escrow deposit agreement entered into in connection with such defeasance; and (iii) an opinion of nationally recognized bond counsel to the effect that upon such defeasance that the Bonds shall no longer be Outstanding under the terms of the Indenture . Each verification report and defeasance opinion required under (i) and (iii) shall be acceptable in form and substance, and addressed, to the Authority, the Trustee and the Insurer. In the event a forward purchase agreement will be employed in such defeasance, such agreement shall be subject to the approval of the Insurer and shall be accompanied by such opinions of counsel as may be required by the Insurer. The Insurer shall be provided with the final drafts of the above-referenced documents not less than five (5) Business Days prior to the funding of such defeasance. In such event, upon the Written Request of the Authority, and upon receipt of a Written Certificate of an Authorized Representative of the Authority, each to the effect that all conditions precedent provided for in the Indenture for relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture and the applicable Supplemental Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the Authority.

Discharge of Liability on Bonds; Effect of Payment on Bonds by the Insurer.

Upon the deposit with the Trustee, in trust, at or before maturity, of Defeasance Obligations in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Revenues and other amount under the Indenture and all covenants, agreements and other obligations of the Authority to the Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Owners.

Deposit of Defeasance Obligations.

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America, in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) noncallable Defeasance Obligations, the principal of, premium, if any, and interest on which when due will provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption

date, as the case may be, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such funds to the payment of such principal and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture.

Notwithstanding any provisions of the Indenture, but subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture and the applicable Supplemental Indenture, and all liability of the Trustee, as applicable, with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall at the cost of the Authority, mail, by first class mail, postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee, as applicable, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

CFD Bond Indentures

Definitions.

For purposes of this summary and except as specified below, the capitalized terms set forth in the CFD Bond Indentures are defined therein as follows:

“2003 Special Tax Bonds” means the \$12,635,000 Poway Unified School District Community Facilities District No. 2 2003 Special Tax Bonds issued pursuant to the 2003 Special Tax Bonds Bond Indenture.

“2003 Special Tax Bonds Bond Indenture” means the Bond Indenture, dated as of February 1, 2003, by and between Poway Unified School District Community Facilities District No. 2 and Zions First National Bank, as successor to U.S. Bank National Association, as Fiscal Agent.

“2007 Bonds” means, as applicable, the CFD No. 2 Bonds, the CFD No. 4 Bonds, the CFD No. 8 Bonds, the CFD No. 9 Bonds, the CFD No. 10 Bonds, or the CFD No. 12. issued pursuant to the Indenture.

“Accreted Interest” means, pursuant to the CFD No. 2 Indenture and the CFD No. 12 Indenture, as applicable, with respect to the Capital Appreciation Bonds, the Accreted Value thereof minus the Denominational Amount thereof as of the date of calculation.

“Accreted Value” means, pursuant to the CFD No. 2 Indenture and the CFD No. 12 Indenture, as applicable, with respect to the Capital Appreciation Bonds, as of the date of calculation, the Denominational Amount thereof, plus Accreted Interest thereon to such date of calculation, compounded semiannually on each March 1 and September 1 (commencing on September 1, 2007 as to the 2007 Bonds), at the stated Reoffering Yield to maturity thereof, assuming in any such semiannual period that such Accreted Value in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months on the basis of a constant interest rate compounded semi-annually (with straight line interpolations between Bond Payment Dates).

“Act” means the “Mello-Roos Community Facilities Act of 1982,” as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California.

“Administrative Expense Fund” means the fund by that name established pursuant to the Indenture.

“Administrative Expenses” means (a) the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the School District or otherwise); the costs of remitting the

Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent required under the Indenture; the costs of the School District, the District, or any designee thereof of complying with School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the School District, District, or any designee thereof related to an appeal of the Special Tax; and the costs of any credit enhancement obtained by the School District or the District and (b) the District's Proportionate Share of the Authority Administrative Expenses. Administrative Expenses shall also include Delinquency Collection Expenses.

“Administrative Expense Requirement” means an annual amount equal to \$60,000 as to the CFD No. 2 Indenture, \$68,921.15 as to the CFD No. 4 Indenture, \$35,852.78 as to the CFD No. 8 Indenture, \$29,877.31 as to the CFD No. 9 Indenture, \$28,154.06 as to the CFD No. 10 Indenture and \$39,415.69 as to the CFD No. 12 Indenture. Except for the Administrative Expense Requirement for CFD No. 2 Indenture which shall remain the same, the Administrative Expense Requirement for all other CFD Indentures shall escalate by 2% in each Bond Year commencing in the Bond Year beginning on September 2, 2007.

“Annual Debt Service” means:

1. pursuant to the CFD No. 2 Indenture, as to the CFD No. 2 Bonds, for each Bond Year, the sum of (a) the interest payable on the Outstanding Current Interest Bonds in such Bond Year, (b) the principal amount of the Outstanding Current Interest Bonds scheduled to be paid in such Bond Year, including from mandatory sinking fund payments, and (c) the Maturity Value of all Capital Appreciation Bonds scheduled to be paid in such Bond Year. For purposes of the 2003 Special Tax Bonds, the term “Annual Debt Service,” as used in the CFD No. 2 Indenture, shall mean for each Bond Year the sum of (a) the interest payable on the outstanding 2003 Special Tax Bonds in such Bond Year, and (b) the principal amount of the outstanding 2003 Special Tax Bonds scheduled to be paid in such Bond Year, including from mandatory sinking fund payments;

2. pursuant to the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, and the CFD No. 10 Indenture, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year; and

3. pursuant to the CFD No. 12 Indenture, as to the CFD No. 12 Bonds, for each Bond Year, the sum of (a) the interest payable on the Outstanding Current Interest Bonds in such Bond Year, and (b) the principal amount of the Outstanding Current Interest Bonds scheduled to be paid in such Bond Year, including from mandatory sinking fund payments, (c) the Maturity Value of all Capital Appreciation Bonds scheduled to be paid in such Bond Year.

“Authority Administrative Expenses” shall have the meaning given such term in the Authority Indenture.

“Authority Administrative Expense Fund” means the Administrative Expense Fund established pursuant to the Authority Indenture.

“Authority Bonds” shall have the meaning given such term in the Authority Indenture.

“Authority Indenture” means that Indenture of Trust, dated as of April 1, 2007, by and between the Poway Unified School District Public Financing Authority and Zions First National Bank, as trustee, pertaining to the Poway Unified School District Public Financing Authority 2007 Revenue Bonds.

“Authority Reserve Fund” means the Reserve Fund established pursuant to the Authority Indenture.

“Authority Reserve Requirement” shall have the meaning given to the term “Reserve Requirement” in the Authority Indenture.

“Authority School Facilities Fund” means the Authority School Facilities Fund established pursuant to the Authority Indenture.

“Authority Surplus Fund” means the Authority Surplus Fund established pursuant to the Authority Indenture.

“Authority Trustee” means Zions First National Bank, acting in its capacity as trustee pursuant to the Authority Indenture.

“Authorized Representative” of the District means the Superintendent or Deputy Superintendent, acting on behalf of the District, or any other person designated by the Superintendent or Deputy Superintendent and authorized to act on behalf of the District under or with respect to the Indenture and all other agreements related hereto.

“Average Annual Debt Service” means, as of the date of any calculation, the average annual debt service on the Bonds based upon a Bond Year during the current or any future Bond Year.

“Bond Counsel” means an attorney or firm of attorneys, selected by the District, of nationally recognized standing in matters pertaining to the tax treatment of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of the State.

“Bond Payment Date” means, pursuant to the CFD No. 2 Indenture and the CFD No. 12 Indenture, March 1 and September 1 of each year, commencing September 1, 2007 as to the CFD No. 2 and CFD No. 12 2007 Bonds.

“Bond Service Fund” means the fund created and established pursuant to the Indenture.

“Bond Year” means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year for each Series of the Bonds shall be the period from the Delivery Date thereof to September 1 immediately following such Delivery Date.

“Bondowner” or “Owner,” or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee, representative or assign of any Outstanding Bond which shall at the time be registered.

“Bonds” or “CFD No. 2 Bonds” or “CFD No. 4 Bonds” or “CFD No. 8 Bonds” or “CFD No. 9 Bonds” or “CFD No. 10 Bonds” or “CFD No. 12 Bonds,” means, as applicable, the 2007 Bonds and any Parity Bonds authorized and issued by and at any time Outstanding pursuant to the applicable Indenture.

“Business Day” means a day that is not a Saturday or a Sunday or a day of the year on which banks in New York, New York and Los Angeles, California, or where the Principal Corporate Trust Office is located, are not required or authorized to remain open.

“Capital Appreciation Bonds,” means, pursuant to the CFD No. 2 Indenture and the CFD No. 12 Indenture, as applicable, those Bonds, including the 2007 Bonds, the interest component of which is compounded semiannually on each Bond Payment Date to maturity.

“Capital Appreciation Bonds Payment Account” means the account by that name established within the Bond Service Fund pursuant to the CFD No. 2 Indenture or the CFD No. 12 Indenture, as applicable.

“Capitalized Interest Subaccount” means the subaccount by that name established within the Interest Account of the Bond Service Fund pursuant to the CFD No. 4 Indenture, the CFD NO. 8 Indenture, the CFD No. 9 Indenture, and the CFD No, 10 Indenture, as applicable.

“CFD No. 2” means Poway Unified School District Community Facilities District No. 2.

“CFD No. 4” means Poway Unified School District Community Facilities District No. 4.

“CFD No. 8” means Poway Unified School District Community Facilities District No. 8.

“CFD No. 9” means Poway Unified School District Community Facilities District No. 9.

“CFD No. 10” means Poway Unified School District Community Facilities District No. 10.

“CFD No. 12” means Poway Unified School District Community Facilities District No. 12.

“CFD No. 2 Bonds” means the \$1,598,847.12 Poway Unified School District Community Facilities District No. 2 2007 Surplus Special Tax Bonds.

“CFD No. 4 Bonds” means the \$11,989,000 Poway Unified School District Community Facilities District No. 4 2007 Special Tax Bonds.

“CFD No. 8 Bonds” means the \$7,329,000 Poway Unified School District Community Facilities District No. 8 2007 Improvement Area B Special Tax Bonds.

“CFD No. 9 Bonds” means the \$1,711,000 Poway Unified School District Community Facilities District No. 9 2007 Special Tax Bonds.

“CFD No. 10 Bonds” means the \$38,230,000 Poway Unified School District Community Facilities District No. 10 2007 Special Tax Bonds.

“CFD No. 12 Bonds” means the \$7,689,087.48 Poway Unified School District Community Facilities District No. 12 Special Tax Bonds.

“Code” means the Internal Revenue Code of 1986, as amended.

“Comptroller of the Currency” means the Comptroller of the Currency of the United States.

“Costs of Issuance” means, as to each Series of the Bonds, all of costs of issuing such Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture and any Supplemental Indenture, such Bonds, and any and all other agreements, instruments, certificates or other documents issued in connection therewith; any computer and other expenses incurred in connection with such Bonds; the initial fees and expenses of the Fiscal Agent (including without limitation, legal fees, acceptance fees, and first annual fees payable in advance); the fees and expenses of the appraiser, market absorption consultant, bond counsel, disclosure counsel, Independent Financial Consultant and other fees and expenses incurred in connection with the issuance of such Bonds, to the extent such fees and expenses are approved by the District.

“Current Interest Bonds” means, pursuant to the CFD No. 2 Indenture and the CFD No. 12 Indenture, as applicable, the Bonds the interest on which is payable on each Bond Payment Date specified for each such Bond as designated and maturing in the years and in the amounts set forth in the Indenture or in the Supplemental Indenture providing for the issuance of such Bonds.

“Defeasance Obligations” means those obligations described in paragraph A. of the definition of Permitted Investments.

“Delinquency Collection Expenses” means those fees and expenses of the District incurred by or on behalf of the District in or related to the collection of delinquent Special Taxes.

“Delinquency Proceeds” means the net amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Tax resulting from the delinquency in the payment of Special Taxes due and payable on such property and net of County of San Diego, foreclosure counsel and other fees and expenses incurred by or on behalf of the District or the School District in undertaking such foreclosure proceedings.

“Delivery Date” means, as to each Series of the Bonds, the date on which such Series of the Bonds are issued and delivered to the initial purchaser thereof.

“Denominational Amount” means, pursuant to the CFD No. 2 Indenture and the CFD No. 12 Indenture, as applicable, with respect to any Capital Appreciation Bonds, the initial offering price thereof, which represents the principal amount thereof (exclusive of any initial premium thereon); and

“Depository” means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the District discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Deputy Superintendent.

“Deputy Superintendent” means the Deputy Superintendent of the School District, acting for and on behalf of the District.

“District” means, as applicable, CFD No. 2, CFD No. 4, CFD No. 8, CFD No. 9, CFD No. 10, or CFD No. 12.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Excess Authority Rebate Obligation” means that portion of any obligation of the Authority to make a payment to the United States pursuant to the Authority Indenture that exceeds the funds then on deposit in the Rebate Fund established pursuant to the Authority Indenture.

“Federal Securities” means those obligations described in paragraph B.(1) of the definition of Permitted Investments.

“Fiscal Agent” means Zions First National Bank, and any successor thereto.

“Fiscal Year” means the 12-month period beginning July 1 of each year and terminating on June 30 of the following year, or any other annual accounting period hereinafter selected and designated by the District as its fiscal year in accordance with applicable law.

“Funding Agreement” means the Funding Allocation Agreement, dated as of April 1, 2007, among the Authority, the District and Community Facilities District Nos. 2, 4, 8, 9, 10 and 12 of the School District.

“Gross Proceeds” has the meaning ascribed to such term in Section 148(f)(6) of the Code.

“Indenture” means, as applicable, the Bond Indenture dated as of April 1, 2007, by and between CFD No. 2 and Zions First National Bank, as amended or supplemented pursuant to the terms thereof; the Bond Indenture dated as of April 1, 2007, by and between CFD No. 4 and Zions First National Bank, as amended or supplemented pursuant to the terms thereof; the Bond Indenture dated as of April 1, 2007, by and between CFD No. 8 and Zions First National Bank, as amended or supplemented pursuant to the terms thereof; the Bond Indenture dated as of April 1, 2007, by and between CFD No. 9 and Zions First National Bank, as amended or supplemented pursuant to the terms thereof; the Bond Indenture dated as of April 1, 2007, by and between CFD No. 10 and Zions First National Bank, as amended or supplemented pursuant to the terms thereof; and the Bond Indenture dated as of April 1, 2007, by and between CFD No. 12 and Zions First National Bank, as amended or supplemented pursuant to the terms thereof.

“Independent Accountant” means any certified public accountant or firm of such certified public accountants appointed and paid by the District, and who, or each of whom:

1. is in fact independent and not under domination of the District or the School District;
2. does not have any substantial interest, direct or indirect, in the District or the School District; and
3. is not an officer or employee of the District or the School District, but who may be regularly retained to make annual or other audits of the books of or reports to the School District or the District.

“Independent Financial Consultant” means any person or firm possessing demonstrated experience and expertise in the preparation of special tax formulas, the administration of special taxes levied for community facilities districts and the provision of advice to public agencies with respect to the issuance and administration of bonds of community facilities districts secured by the levy of special taxes. Any such person or firm shall be appointed and paid by the District and who, or each of whom:

1. is in fact independent and not under domination of the District or the School District;
2. does not have any substantial interest, direct or indirect, in the District, the School District, or the Authority; and
3. is not an officer or employee of the District, the School District, or the Authority, but who may be regularly retained by the District, the School District, or other community facilities districts formed by the School District to administer the levy of special taxes within such community facilities districts.

“Insurer” means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company.

“Interest Account” means the account by that name established within the Bond Service Fund pursuant to the Indenture.

“Interest Payment Date” means, pursuant to the CFD No. 4 Indenture, CFD No. 8 Indenture, CFD No. 9 Indenture, and CFD No. 10 Indenture, March 1 and September 1 of each year, commencing September 1, 2007 as to the CFD No. 4, CFD No. 8, CFD No. 9, and CFD No. 10 2007 Bonds.

“Investment Agreements” means those agreements approved in writing by the Insurer and supported by appropriate opinions of counsel.

“Land Secured Debt” means as to any Taxable Property (as such term is defined in the Special Tax RMA), (a) the principal amount of all Outstanding 2007 Bonds, Outstanding Parity Bonds previously issued and the Parity Bonds proposed to be issued allocable to such Taxable Property, (b) the principal amount of all other bonds secured by special taxes allocable to such Taxable Property, and (c) the amount of all fixed lien assessments levied on such Taxable Property.

“Legislative Body” means the Board of Education of the School District, acting as the legislative body of the District.

“Maturity Value” means the Accreted Value of any Capital Appreciation Bond, including the 2007 Bonds, on its maturity date.

“Maximum Annual Debt Service” means:

1. pursuant to the CFD No. 2 Indenture, as to the Bonds and the 2003 Special Tax Bonds as used in the CFD No. 2 Indenture, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year; and

2. pursuant to the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, the CFD No. 10 Indenture, and the CFD No. 12 Indenture, as of the date of calculation, the largest Annual Debt Service during the current or any future Bond Year.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Special Tax Revenues” means, pursuant to the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, the CFD No. 10 Indenture, and the CFD No. 12 Indenture, as applicable, Special Tax Revenues minus, as to each Bond Year, an amount equal to the Administrative Expense Requirement applicable for each Series of the Bonds for such Bond Year.

“Net Surplus Special Tax Revenues” means, pursuant to the CFD No. 2 Indenture, Surplus Special Tax Revenues minus, as to each Bond Year, an amount equal to the Administrative Expense Requirement for such Bond Year.

“Outstanding” means as to the Bonds, all of the Bonds, except:

1. Bonds theretofore canceled or surrendered for cancellation in accordance with the Indenture;
2. Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the terms hereof; and
3. Bonds for the payment or redemption of which moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture.

“Parity Bonds” means:

1. pursuant to the CFD No. 2 Indenture, Bonds hereinafter issued which are secured by and payable from an irrevocable first lien on the Net Surplus Special Tax Revenues which lien is on a parity with the lien securing the 2007 Bonds; and

2. pursuant to the CFD No.4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, the CFD No. 10 Indenture, and the CFD No. 12 Indenture, Bonds hereinafter issued which are secured by and payable from an irrevocable first lien on the Net Special Tax Revenues which lien is on a parity with the lien securing the 2007 Bonds.

“Permitted Investments” has the meaning in the Authority Indenture.

“Prepayments” means:

1. pursuant to the CFD No. 2 Indenture, Special Tax Revenues identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Special Tax for one or more parcels in the District made in accordance with the Special Tax RMA and which remain following the payment of all interest due on and the principal of all 2003 Special Tax Bonds or the defeasance of all outstanding 2003 Special Tax Bonds

pursuant to the 2003 Special Tax Bonds Bond Indenture and the discharge of the 2003 Special Tax Bonds Bond Indenture; and

2. pursuant to the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, the CFD No. 10 Indenture, and the CFD No. 12 Indenture, as applicable, Special Tax Revenues identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Special Tax for one or more parcels in the District made in accordance with the Special Tax RMA.

“Principal Account” means the account by such name established in the Bond Service Fund pursuant to the Indenture.

“Principal Corporate Trust Office” means the office of the Fiscal Agent at 550 S. Hope Street, Suite 2650, Los Angeles, CA 90071, or such other offices as may be specified to the District by the Fiscal Agent in writing.

“Proportionate Share” shall have the meaning given such term in the Funding Agreement.

“Record Date” means the fifteenth (15th) calendar day of the month immediately preceding a Bond Payment Date or an Interest Payment Date, as applicable, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Regulations” means the regulations promulgated under the Internal Revenue Code of 1986, as amended.

“Reoffering Yield” means, pursuant to the CFD No. 2 Indenture and the CFD No. 12 Indenture, as applicable, that rate which, when applied to the Denominational Amount of any Capital Appreciation Bond and compounded semiannually on each March 1 and September 1 (commencing September 1, 2007 as to the 2007 Bonds), produces the Maturity Value on the maturity date.

“School District” means the Poway Unified School District.

“School Facilities” means, as to:

1. CFD No. 2, those school facilities authorized to be financed by the District pursuant to Resolution No. 29-98 and Resolution No. 42-98 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities;

2. CFD No. 4, those school facilities authorized to be financed by the District pursuant to Resolution No. 32-98 and Resolution No. 48-98 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities;

3. CFD No. 8, those school facilities authorized to be financed by the District pursuant to Resolution No. 32-99 and Resolution No. 43-99 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities;

4. CFD No. 9, those school facilities authorized to be financed by the District pursuant to Resolution No. 21-99 and Resolution No. 22-99 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities;

5. CFD No. 10, those school facilities authorized to be financed by the District pursuant to Resolution No. 08-2002 and Resolution No. 09-2002 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities; and

6. CFD No. 12, those school facilities authorized to be financed by the District pursuant to Resolution No. 113-2002 and Resolution No. 114-2002 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities.

“School Facilities Costs” means the amounts necessary to finance the acquisition or construction of the School Facilities and incidental expenses associated therewith of the type authorized to be financed under the Act.

“Series” means any series of Bonds issued pursuant to the Indenture or any Supplemental Indenture.

“Special Tax” means the special tax authorized to be levied in CFD No. 2, CFD No. 4, CFD No. 9, CFD No. 10, and CFD No. 12, as applicable, to finance the acquisition or construction of the School Facilities pursuant to the Act and the Special Tax RMA; and as to CFD No. 8 means the special tax authorized to be levied in

Improvement Area B of CFD No. 8 to finance the acquisition or construction of the School Facilities pursuant to the Act and the Special Tax RMA.

“Special Tax Fund” means the fund by that name established pursuant to the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, the CFD No. 10 Indenture, and the No. 12 Indenture, as applicable.

“Special Tax Requirement” shall have the meaning given such term in the Special Tax RMA.

“Special Tax Revenues” means the following revenues received by the District on and after July 1, 2007: (a) the proceeds of the Special Tax levied and received by the District, (b) the Delinquency Proceeds, and (c) Prepayments.

“Special Tax RMA” means, as to:

1. CFD No. 2, the rate and method of apportionment of the Special Tax approved at the special election held in CFD No. 2 on December 15, 1997, as may be modified from time to time in accordance with the Act;

2. CFD No. 4, the rate and method of apportionment of the Special Tax approved at the special election held in CFD No. 4 on December 15, 1997, as may be modified from time to time in accordance with the Act;

3. CFD No. 8, the rate and method of apportionment of the Special Tax approved at the special election held in CFD No. 8 on December 17, 1998, as may be modified from time to time in accordance with the Act;

4. CFD No. 10, the rate and method of apportionment of the Special Tax approved at the special election held in CFD No. 10 on August 27, 2001, as may be modified from time to time in accordance with the Act; and

5. CFD No. 12, the rate and method of apportionment of the Special Tax approved at the special election held in CFD No. 12 on June 24, 2002, as may be modified from time to time in accordance with the Act.

“Special Tax Bonds” shall have the meaning given such term in the Authority Indenture.

“Special Tax Fund” means the fund by that name established pursuant to the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, and the CFD No. 10 Indenture, as applicable.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Rating Services, its successors and assigns.

“State” means the State of California.

“Superintendent” means the Superintendent of the School District, acting for and on behalf of the District.

“Supplemental Indenture” means any bond indenture then in full force and effect which has been duly approved by resolution of the Legislative Body under and pursuant to the Act at a meeting of the Legislative Body duly convened and held, at which a quorum was present and acted thereon, amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Surplus Special Tax Fund” means the fund by that name established pursuant to the CFD No. 2 Indenture.

“Surplus Special Tax Revenues” means, pursuant to the CFD No. 2 Indenture, that portion of the Special Tax Revenues received by CFD No. 2 in any Bond Year which represents the amount of the Special Taxes levied by such District on Developed Property (as such term is defined in the Special Tax RMA) pursuant to the Special Tax RMA for the Fiscal Year beginning July 1 prior to such Bond Year to fund the Annual Special Tax Requirement and which is in addition to the amount necessary to pay scheduled debt service on the 2003 Special Tax Bonds that is due and payable in such Bond Year and Administrative Expenses that are due and payable during such Bond Year.

“Tax Exempt” means, with reference to a Permitted Investment, a Permitted Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

“Yield” has the meaning assigned to such term for purposes of Section 148(f) of the Code.

Funds and Accounts.

Special Tax Fund.

A. Pursuant to the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, the CFD No. 10 Indenture, and the CFD No. 12 Indenture, the District shall, no later than the tenth (10th) Business Day after which Special Tax Revenues have been received by the District, and in any event not later than February 15 and August 15 of each year, transfer such Special Tax Revenues to the Fiscal Agent and, except as set forth in the following sentence, such amounts shall be deposited in the Special Tax Fund.

B. With the exception of Special Tax Revenues representing Prepayments which shall be transferred pursuant to the provisions below, the Special Tax Revenues deposited in the Special Tax Fund shall be held in trust and transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the first Special Tax Revenues received by the Fiscal Agent during such Fiscal Year an amount equal to the Administrative Expense Requirement.
2. The Fiscal Agent shall deposit in the Interest Account of the Bond Service Fund, on each Interest Payment Date or Bond Payment Date, as applicable, and date for redemption of the Bonds or Current Interest Bonds, as applicable, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date or Bond Payment Date, as applicable, on all Outstanding Bonds or Current Interest Bonds, as applicable, or to be paid on the Bonds or Current Interest Bonds, applicable, being redeemed on such date.
3. The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Interest Payment Date or Bond Payment Date, as applicable, and redemption date on which the principal of any Current Interest Bonds, as applicable, shall be payable, pursuant to the Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds or the Current Interest Bonds, as applicable, coming due and payable on such Interest Payment Date or Bond Payment Date, as applicable, or required to be redeemed on such date pursuant to the Indenture, as applicable.
4. Pursuant to the CFD No. 12 Indenture, the Fiscal Agent shall deposit in the Capital Appreciation Bonds Payment Account on or before any mandatory sinking fund payment date or the maturity date of the Capital Appreciation Bonds an amount required to pay the mandatory sinking fund payment on such mandatory sinking fund payment date or the Maturity Value on such maturity date.
5. After making the transfer and deposits required under (i) 1. through 3. above pursuant to the CFD No. 4 Bond Indenture, CFD No. 8 Bond Indenture, and the CFD No. 10 Bond Indenture, (ii) 1. through 4. above pursuant to the CFD No. 12 Bond Indenture, the Fiscal Agent shall transfer to the Authority Trustee the amount, if any, necessary to restore the Authority Reserve Fund to the Authority Reserve Requirement, but only to the extent that any draw on the Authority Reserve Fund was attributable, as determined by the Authority upon request of the Trustee to so determine, to a deficiency in the amount of debt service received by the Authority on the Bonds.
6. On September 2 of each year after making the deposits and transfers required under 1. through 5. above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Authority Trustee that amount necessary to pay any Guaranty Agreement Reimbursements then due and owing by the District pursuant to the Funding Agreement. Any such transfer shall be accompanied by written notice to the Authority Trustee that the amount transferred is to be utilized to pay Guaranty Agreement Reimbursements pursuant to the Authority Indenture.
7. On September 2 of each year after making the deposits and transfers required under (i) 1., 3., 5., and 6. above pursuant to the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9

Indenture, and the CFD No. 10 Indenture, and (ii) 1. through 6. above pursuant to the CFD No. 12 Indenture, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Authority Trustee the District's Proportionate Share of any Excess Authority Rebate Obligation that is or will be due and payable during the Bond Year commencing on such September 2. Any such transfer shall be accompanied by written notice to the Authority Trustee that the amount transferred is to be deposited in the Rebate Fund established pursuant to the Authority Indenture.

8. On September 2 of each year after making the deposits and transfers required under (i) 1., 3., and 5. through 7. above pursuant to the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, and the CFD No. 10 Indenture, and (ii) 1. through 7. above pursuant to the CFD No. 12 Indenture, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Administrative Expense Fund the amounts specified in such request to pay: or:
 - (i) those Administrative Expenses that the District reasonably believes will become due and payable during such Bond Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund; and
 - (ii) the District's Proportionate Share of Authority Administrative Expenses which the District reasonably determines will become due and payable during such Bond Year or the cost of which Authority Administrative Expenses have been previously paid by the Authority or the District from funds other than the Authority Administrative Expense Fund; and
 - (iii) the cost of such Administrative Expenses and the District's Proportionate Share of the Authority's Administrative Expenses paid or projected to be paid from the Administrative Expense Fund during the Bond Year commencing on such September 2, will be in excess of the Administrative Expense Requirement for such Bond Year.
9. If, on or after September 2 of each year, after making the deposits and transfers required above, as applicable, moneys remain in the Special Tax Fund, such moneys shall be transferred to the Authority Trustee for deposit in the Authority Surplus Fund.

C. The Fiscal Agent shall, upon receipt of Special Tax Revenues representing Prepayments together with written instructions of the District executed by an Authorized Representative, immediately transfer such Prepayments pursuant to such written instructions into the Interest Account of the Bond Service Fund and the Redemption Fund, as applicable, and utilize such funds to pay the interest and premium, if any, on and principal of Bonds to be redeemed pursuant to the Indenture. The Fiscal Agent may conclusively rely upon such instructions.

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the District and used for any lawful purpose of the District under the Act.

Surplus Special Tax Fund.

A. Pursuant to the CFD No. 2 Indenture, CFD No. 2 shall, no later than the tenth (10th) Business Day after which Surplus Special Tax Revenues have been received by such District, and in any event not later than February 15 and August 15 of each year, transfer such Surplus Special Tax Revenues to the Fiscal Agent and, except as set forth in the following sentence, such amounts shall be deposited in the Surplus Special Tax Fund.

B. With the exception of Surplus Special Tax Revenues representing Prepayments which shall be transferred pursuant to the provisions of C below, the Surplus Special Tax Revenues deposited in the Surplus Special Tax Fund shall be held in trust and transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the first Surplus Special Tax Revenues received by the Fiscal Agent during such Fiscal Year an amount equal to the Administrative Expense Requirement.

2. The Fiscal Agent shall deposit in the Interest Account of the Bond Service Fund, on each Bond Payment Date and date for redemption of any Current Interest Bonds, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Bond Payment Date on all Outstanding Current Interest Bonds or to be paid on the Current Interest Bonds being redeemed on such date.
3. The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Bond Payment Date and redemption date on which the principal of any Current Interest Bonds shall be payable, pursuant to the CFD No. 2 Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Current Interest Bonds coming due and payable on such Bond Payment Date, or required to be redeemed on such date pursuant to the CFD No. 2 Indenture.
4. The Fiscal Agent shall deposit in the Capital Appreciation Bonds Payment Account on or before the mandatory sinking fund payment date or the maturity date of such Capital Appreciation Bonds an amount to pay the mandatory sinking fund payment on such mandatory sinking fund payment date or the Maturity Value of such Capital Appreciation Bonds on the maturity date.
5. After making the transfer and deposits required under 1. through 4. above, the Fiscal Agent shall transfer to the Authority Trustee the amount, if any, necessary to restore the Authority Reserve Fund to the Authority Reserve Requirement, but only to the extent that any draw on the Authority Reserve Fund was attributable, as determined by the Authority upon request of the Trustee to so determine, to a deficiency in the amount of debt service received by the Authority on the Bonds.
6. On September 2 of each year after making the deposits and transfers required under 1. through 5. above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Authority Trustee that amount necessary to pay any Guaranty Agreement Reimbursements then due and owing by the District pursuant to the Funding Agreement. Any such transfer shall be accompanied by written notice to the Authority Trustee that the amount transferred is to be utilized to pay Guaranty Agreement Reimbursements pursuant to the Authority Indenture.
7. On September 2 of each year after making the deposits and transfers required under 1. through 6. above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Surplus Special Tax Fund to the Authority Trustee the District's Proportionate Share of any Excess Authority Rebate Obligation that is or will be due and payable during the Bond Year commencing on such September 2. Any such transfer shall be accompanied by written notice to the Authority Trustee that the amount transferred is to be deposited in the Rebate Fund established pursuant to the Authority Indenture.
8. On September 2 of each year after making the deposits and transfers required under 1. through 7. above, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Surplus Special Tax Fund to the Administrative Expense Fund the amounts specified in such request to pay: or:
 - (iv) those Administrative Expenses that CFD No. 2 reasonably believes will become due and payable during such Bond Year or the cost of which Administrative Expenses have previously been incurred and paid by such District from funds other than the Administrative Expense Fund; and
 - (v) CFD No. 2's Proportionate Share of Authority Administrative Expenses which such District reasonably determines will become due and payable during such Bond Year or the cost of which Authority Administrative Expenses have been previously paid by the Authority or such District from funds other than the Authority Administrative Expense Fund; and
 - (vi) the cost of such Administrative Expenses and CFD No. 2's Proportionate Share of the Authority's Administrative Expenses paid or projected to be paid from the Administrative Expense Fund during the Bond Year commencing on such

September 2, will be in excess of the Administrative Expense Requirement for such Bond Year.

9. If, on or after September 2 of each year, after making the deposits and transfers required under 1. through 8. above, moneys remain in the Surplus Special Tax Fund, such moneys shall be transferred to the Authority Trustee for deposit in the Authority Surplus Fund.

C. The Fiscal Agent shall, upon receipt of Surplus Special Tax Revenues representing Prepayments together with written instructions executed by an Authorized Representative, immediately transfer such Prepayments pursuant to such written instructions into the Interest Account of the Bond Service Fund and the Redemption Fund, as applicable, and utilize such funds to pay the interest and premium, if any, on and principal of the applicable Bonds to be redeemed pursuant to the applicable Indenture. The Fiscal Agent may conclusively rely upon such instructions.

Bond Service Fund.

A. Interest Account.

1. Pursuant to the CFD No. 2 Indenture and the CFD No. 12 Indenture, all moneys in the Interest Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying interest on any Current Interest Bond as it shall become due and payable (including accrued interest on any Current Interest Bonds redeemed prior to maturity).

2. Pursuant to the CFD No. 4 Indenture, CFD No. 8 Indenture, CFD No. 9 Indenture, and CFD No. 10 Indenture, as applicable, all moneys in the Interest Account, including the proceeds of the 2007 Bonds deposited in the Capitalized Interest Subaccount pursuant to the Indenture to fund interest on the 2007 Bonds through September 1, 2007, shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All funds on deposit in the Capitalized Interest Subaccount shall be used and withdrawn to pay interest on the Bonds prior to using any other funds on deposit in the Interest Account for such purpose.

B. Principal Account.

1. Pursuant to the CFD No. 2 Indenture and the CFD No. 12 Indenture, as applicable, all moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of: (i) paying the principal of any Current Interest Bonds at the maturity thereof or (ii) paying the principal of any Current Interest Bonds upon the mandatory sinking fund redemption thereof pursuant to the Supplemental Indenture providing for the issuance thereof.

2. Pursuant to the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, and the CFD No. 10 Indenture, as applicable, all moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the principal of the Bonds at the maturity thereof.

C. Capital Appreciation Bonds Payment Account. Pursuant to the CFD No. 2 Indenture and the CFD No. 12 Indenture, as applicable, all moneys in the Capital Appreciation Bonds Payment Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the mandatory sinking fund payments or the Maturity Value of any Capital Appreciation Bonds upon the maturity thereof.

Redemption Fund.

Moneys shall be deposited into the Redemption Fund by the Fiscal Agent pursuant to the terms of the Indenture and shall be set aside and used solely for the purpose of redeeming Bonds in accordance with written instructions of the District executed by an Authorized Representative given in accordance with the Indenture of, as applicable. Following the redemption of any Bonds, if any funds remain in the Redemption Fund, such funds shall be transferred to the Special Tax Fund or the Surplus Special Tax Fund, as applicable.

Administrative Expense Fund.

The Fiscal Agent shall deposit from time to time the amounts authorized for deposit therein pursuant to the Indenture. The moneys in the Administrative Expense Fund shall be used: (i) to pay Administrative Expenses from time to time upon receipt by the Fiscal Agent of a written request of the District executed by an Authorized Representative in substantially the form attached as Exhibit C to the Indenture specifying the name and address of the payee and the amount of the Administrative Expense and a description thereof and further stating that such

request has not formed the basis of any prior request for payment; or (ii) for transfer to the Authority Trustee from time to time for payment of the District's Proportionate Share of those Authority Administrative Expenses not paid directly by the Fiscal Agent upon receipt by the Fiscal Agent of a written request of the District executed by an Authorized Representative specifying the estimated amount necessary to fund such share of such Authority Administrative Expenses.

Investment of Funds.

Unless otherwise specified in the Indenture, moneys in the Special Tax Fund or the Surplus Special Tax Fund, as applicable, the Bond Service Fund or the Administrative Expense Fund shall, at the written direction of the District executed by an Authorized Representative given at least two (2) days prior, be invested and reinvested in Permitted Investments (including investments with the Fiscal Agent or an affiliate of the Fiscal Agent or investments for which the Fiscal Agent or an affiliate of the Fiscal Agent acts as investment advisor or provides other services so long as the investments are Permitted Investments). Moneys in the Redemption Fund shall, at the written direction of the District executed by an Authorized Representative, be invested in Permitted Investments identified in paragraph B.(5) of the definition of Permitted Investments or money market funds comprised solely of Permitted Investments identified in paragraph B.(5) of the definition of Permitted Investments and rated in the highest rating category of S&P. Notwithstanding anything in the Indenture to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in paragraph B.(5) of the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Trustee.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District periodic cash transaction statements, which include detail for all investment transactions made by the Fiscal Agent under the Indenture. The Fiscal Agent shall not be required to provide statements for accounts with zero balances.

Obligations purchased as investments of moneys in any fund or account shall be deemed at all times to be a part of such fund or account. Except where provided otherwise in the Indenture, any income realized on or losses resulting from investments in any fund or account shall be credited or charged to such fund or account.

Subject to the restrictions set forth in the Indenture and/or any written investment instructions received by the Fiscal Agent pursuant to the Indenture, moneys in all funds and accounts shall be invested in Permitted Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which it is estimated that such moneys will be required by the Fiscal Agent for the purposes specified in the Indenture. Permitted Investments purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Fiscal Agent may deliver such Permitted Investments for repurchase under such agreement.

The Fiscal Agent shall sell or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer for such funds and accounts or from such funds and accounts. The Fiscal Agent shall not be liable for any loss from any investments made or sold by it in accordance with the provisions of the Indenture.

The Fiscal Agent is hereby authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Fiscal Agent or for any third person or dealing as principal for its own account.

Amendments or Supplements.

The Legislative Body may, by adoption of a resolution from time to time, and at any time but without notice to or consent of any of the Bondholders, approve a Supplemental Indenture hereto for any of the following purposes:

- (a) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action shall not adversely affect the interests of the Bondowners;

- (b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (c) to modify, alter, amend, or supplement the Indenture in any other respect which is not materially adverse to the interests of the Bondowners;

to amend any provision of the Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or

to provide for the issuance of Parity Bonds pursuant to the terms of the CFD No. 4 Indenture, the CFD No. 8 Indenture, the CFD No. 9 Indenture, and the CFD No. 10 Indenture, as applicable.

Exclusive of the Supplemental Indentures hereto provided for in the first paragraph above, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing therein shall permit, or be construed as permitting, (i) an extension of the maturity date of the principal of, or the payment date of interest on, any Bond; or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon without the consent of the affected Bondowner(s), or permit, or be construed as permitting: (A) a preference or priority of any Bond or Bonds over any other Bond or Bonds; (B) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture; or (C) creating of a pledge of or lien or charge upon the Special Tax Revenues superior to the pledge provided for in the Indenture, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District shall desire to approve a Supplemental Indenture, which pursuant to the terms of the Indenture shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the bond register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as provided in the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to the approval thereof by the Legislative Body substantially in the form of the copy thereof referred to in such Notice as on file with the District, such proposed Supplemental Indenture, when duly approved by the Legislative Body, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the approval of any Supplemental Indenture, Bonds which are known to the Fiscal Agent to be owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the approval of any Supplemental Indenture hereto and the receipt of consent to any such Supplemental Indenture from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modifications and amendments. Notwithstanding anything in the Indenture to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent thereunder, without the prior written consent of the Fiscal Agent.

After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate

for that purpose, a suitable notation as to such action shall be made on such Bonds. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds shall be exchanged at the corporate trust office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

Covenants.

As long as the Bonds are Outstanding and unpaid, the District shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants and agreements set forth in the Indenture; provided, however, that said covenants do not require the District to expend any funds other than the Special Tax Revenues or Surplus Special Tax Revenues, as applicable.

A. On or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Special Tax levied in such Fiscal Year to determine the amount of Special Tax actually collected in such Fiscal Year. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more, or (ii) any single parcel or parcels under common ownership subject to the Special Tax are delinquent in the payment of Special Taxes in the aggregate of \$10,000 or more, the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Special Taxes remain delinquent. With respect to aggregate delinquencies throughout the District, if the District determines that it has collected less than 95% of the Special Taxes levied in the such Fiscal Year, then the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Special Taxes remain delinquent.

B. The District shall preserve and protect the security of the Bonds and the rights of the Bondowners and defend their rights against all claims and demands of all persons. Until such time as an amount has been set aside sufficient to pay Outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the District will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued thereunder.

C. The District will not issue any other obligations payable, principal or interest, from the Special Taxes which have, or purport to have, any lien upon the Special Taxes superior to or on a parity with the lien of the Bonds authorized in the Indenture. Nothing in the Indenture shall prevent the District from issuing and selling, pursuant to law, refunding bonds or other refunding obligations payable from and having a first lien upon the Special Taxes on a parity with the Outstanding Bonds so long as the issuance of such refunding bonds or other refunding obligations results in a reduction in the Annual Debt Service on the Bonds and such refunding bonds or other refunding obligations taken together.

D. The District will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds issued under the Indenture on the date, at the place and in the manner provided in said Bonds, but only out of Special Tax Revenues and such other funds as may be therein provided.

E. The District shall comply with all requirements of the Act so as to assure the timely collection of the Special Taxes. The District shall annually ascertain the parcels on which the Special Taxes are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the current Fiscal Year. The District shall effect the levy of the Special Tax in accordance with the Special Tax RMA and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Special Tax for the parcels within the District for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Special Tax levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be

transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax (as such term is defined in the Special Tax RMA) authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Special Tax RMA) of Developed Property (as such term is defined in the Special Tax RMA) in each Fiscal Year will equal at least 110% of the gross debt service on all Bonds to remain Outstanding after the reduction is approved and will not reduce the Maximum Special Tax payable from Assessor's Parcels of Developed Property is located to less than 110% of Maximum Annual Debt Service; and (ii) the Board of Education, acting as the Legislative Body of the District, finds pursuant to the Indenture that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. Any reduction in the Maximum Special Tax approved pursuant to the preceding sentence may be approved without the consent of the Owners of the Bonds.

The District covenants that, in the event that any initiative is adopted by the qualified electors which purports to reduce the Maximum Special Tax below the levels authorized pursuant to the Special Tax RMA or to limit the power or authority of the District to levy Special Taxes pursuant to the Special Tax RMA, the District shall, from funds available under the Indenture, commence and pursue legal action in order to preserve the authority and power of the District to levy Special Taxes pursuant to the Special Tax RMA.

F. The District will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Special Tax Revenues and other funds provided for in the Indenture.

G. The District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the District or take or omit to take any action that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, or obligations which are "federally guaranteed" within the meaning of Section 149(b) of the Code. The District will not allow five percent (5%) or more of the proceeds of the Bonds to be used in the trade or business of any non-governmental units and will not loan five percent (5%) or more of the proceeds of the Bonds to any non-governmental units.

H. The District covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Authority Bonds under Section 103 of the Code. The District will not directly or indirectly use or permit the use of any proceeds of the Authority Bonds or any other funds of the District, or take or omit to take any action, that would cause the Authority Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the District will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds and the Authority Bonds. In the event that at any time the District is of the opinion that for purposes of the Indenture it is necessary to restrict or limit the yield on the investment of any moneys held under the Indenture or otherwise the District shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed, or final Treasury Regulations as may be applicable to the Bonds and the District's Proportionate Share of the Authority Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The District specifically covenants to transfer or cause to be transferred to the Authority Trustee any amount necessary to pay the District's Proportionate Share of any Excess Authority Rebate Obligation.

Notwithstanding any provision of the Indenture, if the District shall obtain an opinion of Bond Counsel to the effect that any action required under this covenant is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Authority Bonds pursuant to Section 103 of the Code, the Fiscal Agent may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenant thereunder shall be deemed to be modified to that extent.

I. The District shall not directly or indirectly extend the maturity dates of the Bonds or the time of payment of interest with respect thereto.

J. Not later than October 30th of each year, commencing October 30, 2007, and until October 30th following the final maturity of the Bonds, the District shall supply or cause to be supplied to the California Debt and Investment Advisory Commission by mail, postage prepaid, the information, if any, then required by Government Code Section 53359.5 to be submitted to such agency.

K. The District covenants that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting tender of Bonds in full payment or partial payment of any Special Taxes unless it first receives a certificate of an Independent Financial Consultant that accepting such tender will not result in the District having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds when due.

L. The District shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the District under the provisions of the Indenture. The District warrants that upon the date of execution and delivery of the Bonds, the conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the execution and delivery of such Bonds do exist, have happened and have been performed and the execution and delivery of the Bonds shall comply in all respects with the applicable laws of the State.

Defeasance.

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding (i) CFD No. 4 Bond, CFD No. 8 Bond, CFD No. 9 Bond, or CFD No. 10 Bond the interest due thereon and the principal thereof, or (ii) CFD No. 2 Bond or the CFD No. 12 Bond the principal or the Accreted Value thereof and the interest and premium, if any thereon, at the times and in the manner stipulated in the Indenture, as applicable, then the Owner of such Bond shall cease to be entitled to the pledge of the Special Tax Revenues, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under the Indenture shall thereupon cease, terminate and become void and discharged and satisfied. In the event of the defeasance of all Outstanding Bonds and after payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the District all money or securities held by it pursuant to the Indenture which are not required for (i) the payment of the principal of, premium, if any, and interest due on the CFD No. 4 Bonds, the CFD No. 8 Bonds, the CFD No. 9 Bonds, or CFD No. 10 Bonds, or (ii) the payment of the principal or the Accreted Value thereof, premium, if any, and interest on the CFD No. 2 Bonds or CFD No. 12 Bonds, as applicable.

Any Outstanding Bond shall be deemed to have been paid within the meaning expressed in the preceding paragraph if such Bond is paid in any one or more of the following ways:

A. by paying or causing to be paid the principal or the Accreted Value thereof (as applicable), premium, if any, and interest on such Bond, as and when the same shall become due and payable;

B. by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds established pursuant to the Indenture (exclusive of the Rebate Fund) and available for such purpose, is fully sufficient to pay the principal or the Accreted Value thereof (as applicable), premium, if any, and interest on such Bond, as and when the same shall become due and payable; or

C. by depositing with an escrow bank appointed by the District, in trust, Defeasance Obligations, in such amount as an Independent Accountant shall determine (as set forth in a verification report from such Independent Accountant) will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate Fund) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal or Accreted Value thereof (as applicable), premium, if any, and interest on such Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture with respect to such Bond shall cease and

terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District to preserve the exclusion of the interest on the Bonds from gross income for federal income tax purposes. Notice of such election shall be filed with the Fiscal Agent not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under B. or C. above, there shall be provided to the Fiscal Agent a certificate of an Independent Accountant stating its opinion as to the sufficiency of the Defeasance Obligations deposited with the Fiscal Agent or the escrow bank together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate Fund) and available for such purpose, together with the interest to accrue thereon to pay and discharge the principal or Accreted Value thereof (as applicable), premium, if any, and interest on all such Bonds to be defeased in accordance with the Indenture as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with the Indenture.

To accomplish such defeasance, the District shall cause to be delivered: (i) a report of the Independent Accountant verifying the determination made pursuant to C. above (the "Verification Report"); and (ii) an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding. The Verification Report and opinion of Bond Counsel shall be acceptable in form and substance, and addressed to the District and the Fiscal Agent.

Events of Default.

Events of Default.

The following events shall be events of default under the Indenture:

A. Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

B. Default in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable.

C. Default by the District in the observance of any of the other covenants, agreements, or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or to the District and the Fiscal Agent by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Fiscal Agent's fees and expenses, which must be cured within such thirty-day period unless waived by the Fiscal Agent) shall not constitute an event of default under the Indenture if the District shall commence to cure such default within said thirty-day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time.

D. The filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Application of Revenues and Other Funds After Default.

If a default in the payment of the Bonds shall occur and be continuing, all revenues and any other funds then held or thereafter received under any of the provisions of the Indenture shall be applied as follows and in the following order:

A. to the payment of any expenses necessary in the opinion of the District to protect the interest of the Owners of the Bonds and payment of reasonable charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

B. to the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity of redemption, and if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without discrimination or preference.

Remedies of Owners.

Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

A. by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers, or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

B. by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

C. by a suit in equity to require the District and its members, officers, and employees to account as the trustee of an express trust.

Nothing in any other provision of the Indenture or the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as therein provided, out of the Net Special Tax Revenues or Net Surplus Special Tax Revenue, as applicable, pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture. The principal of the Bonds shall not be subject to acceleration thereunder.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action, or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights, and remedies as if such suit, action, or proceeding had not been brought or taken.

No remedy in the Indenture conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and entered into as of April 1, 2007 by and among the Poway Unified School District Public Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the Constitution and of the laws of the State of California (the “Authority”), and the Poway Unified School District for and on behalf of (i) Community Facilities District No. 2 (Subarea IV – Torrey Highlands) of the Poway Unified School District (“Community Facilities District No. 2”), (ii) Community Facilities District No. 4 (Black Mountain Ranch) of the Poway Unified School District (“Community Facilities District No. 4”), (iii) Community Facilities District No. 8 (Black Mountain Ranch Phase II) of the Poway Unified School District (“Community Facilities District No. 8”), (iv) Community Facilities District No. 9 (Portswood) of the Poway Unified School District (“Community Facilities District No. 9”), (v) Community Facilities District No. 10 (Torrey Highlands – Subarea IV) of the Poway Unified School District (“Community Facilities District No. 10”) and (vi) Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and the Clusters) of the Poway Unified School District (“Community Facilities District No. 12”) and collectively with Community Facilities District No. 2, Community Facilities District No. 4, Community Facilities District No. 8, Community Facilities District No. 9 and Community Facilities District No. 10, the “Districts”), Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States (the “Bank”) in its capacity as Trustee (the “Trustee”), and Dolinka Group, Inc. in its capacity as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance of the Poway Unified School District Public Financing Authority 2007 Revenue Bonds (the “Bonds”);

WITNESSETH:

WHEREAS, pursuant to the Bond Indenture, dated as of April 1, 2007 (the “Authority Indenture”), by and between the Authority and the Trustee, the Authority has issued the Bonds in the aggregate principal amount of \$69,945,000; and

WHEREAS, the Bonds are being issued to acquire six series of special tax bonds (the “Special Tax Bonds”) of each District. The Special Tax Bonds are each being issued pursuant to separate Bond Indentures (each a “District Bond Indenture,” and together the “District Bond Indentures”), each dated as of April 1, 2007, each by and between the applicable District and Zions First National Bank, as Fiscal Agent (collectively, the “Fiscal Agents”);

WHEREAS, each Series of Special Tax Bonds is payable from and secured by special taxes levied on certain of the property within the applicable District;

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Purpose of the Disclosure Agreement. The Disclosure Agreement is being executed and delivered by the Authority and the Districts for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Authority Indenture and the District Bond Indentures 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 Authority and each District pursuant to, and described in, Sections 3 and 4 of this Disclosure Agreement.

“Annual Report Date” shall mean January 31 next following the end of the Authority’s and each District’s fiscal year, which fiscal years end, as of the date of this Disclosure Agreement, are June 30.

“Disclosure Representative” shall mean the Associate Superintendent, Business Support Services of the School District acting on behalf of the Authority or the Districts or his or her designee, or such other officer or employee as the Community Facilities District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Dolinka Group, Inc., or any successor Dissemination Agent designated in writing by the Authority and the Districts and which has filed with the Authority and the Districts a written acceptance of such designation.

“District” or “Districts” means Community Facilities District No. 2 (Subarea IV - Torrey Highlands) of the Poway Unified School District, Community Facilities District No. 4 (Black Mountain Ranch) of the Poway Unified School District, Community Facilities District No. 8 (Black Mountain Ranch Phase II) of the Poway Unified School District, Community Facilities District No. 9 (Portswood) of the Poway Unified School District, Community Facilities District No. 10 (Torrey Highlands – Subarea IV) of the Poway Unified School District or Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and the Clusters) of the Poway Unified School District, as applicable.

“Insurer” shall mean Ambac Assurance Corporation, a Wisconsin Stock Insurance Corporation or any successor thereto or assignee thereof.

“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. Information on the National Repositories as of a particular date is available on the Internet at sec.gov/info/municipal/nrmsir.htm.

“Participating Underwriter” shall mean Stone & Youngberg LLC.

“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 of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Authority and each District shall, or, shall cause the Dissemination Agent to, not later than the Annual Report Date commencing January 31, 2008, provide to each Repository, the Trustee, the Fiscal Agents, the Insurer and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Authority and each District shall provide its Annual Report to the Dissemination Agent. An

Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report provided by the Authority and later than the date required above for the filing of the Annual Report if not available by that date. If the Authority or a District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). If the Dissemination Agent has not received a copy of the Annual Report on or before 15 business days prior to January 31 in any year, the Dissemination Agent shall notify the Authority or the applicable District, of such failure to receive the applicable Annual Report. The Authority and each District shall provide a written certification with its Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Authority and each District and shall have no duty or obligation to review such Annual Report.

(b) If the Authority or a District is unable to provide to the Repositories and to the Participating Underwriter its Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repositories and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing each Annual Report the name and address of each National Repository and each State Repository, if any;
- (ii) provide any Annual Report received by it to each Repository, the Trustee, the Fiscal Agents, the Insurer and the Participating Underwriter as provided herein; and
- (iii) if the Dissemination Agent is other than the Authority or a District and to the extent it can confirm such filing of an Annual Report, file a report with the Authority, the Districts, the Trustee, the Fiscal Agents, the Insurer and the Participating Underwriter certifying that an 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. An Annual Report shall contain or incorporate by reference the following:

(a) With respect to the Authority, the Authority's Annual Report shall provide the following information:

- (i) Audited Financial Statements of the Authority prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If audited financial statements are not available, at the time required for filing, unaudited financial statements shall be submitted with the Annual Report, and audited financial statements shall be submitted once available. For purposes of this section, the financial statements of the School District shall be deemed to be the financial statements of the Authority.

(ii) The following information regarding the Bonds and any refunding bonds:

(1) Principal amount of Bonds and any refunding bonds outstanding as of a date within 30 days proceeding the date of the Annual Report;

(2) Balance in the Bond Service Fund as of a date within 30 days proceeding the date of the Annual Report;

(3) Balance in the Reserve Fund and statement of Reserve Requirement as of a date within 30 days proceeding the date of the Annual Report;

(4) Balance in the Authority School Facilities Fund as of a date within 30 days preceding the date of the Annual Report, and of any other fund not referenced in clauses (1), (2), (3) or (4) hereof;

(b) With respect to each District, each District's Annual Report shall provide the following information with respect to such District and its Special Tax Bonds:

(i) A table summarizing assessed value-to-lien ratios for the property in the District and by Rate and Method of Apportionment of Special Taxes land use categories. The assessed values in such table will be determined by reference to the value of the parcels within the District on which the Special Taxes are levied, as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 30 next preceding the Annual Report Date. The lien values in such table will include all Special Tax Bonds and any refunding bonds of a District, but need not include other debt secured by a tax or assessments levied on parcels within a District.

(ii) Information regarding the annual special taxes levied in the District, amount collected, delinquent amounts and percent delinquent for the most recent fiscal year;

(iii) Status of foreclosure proceedings of parcels within the District and summary of results of foreclosure sales, if available;

(iv) A land ownership summary listing property owners responsible for more than 5% of the Special Tax levy as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within the District owned by such property owners, and the assessed value of such property, as shown on such assessment roll;

(v) Concerning delinquent parcels as of the immediately preceding August 15;

- number of parcels in the District delinquent in payment of Special Tax,
- total of such delinquency and percentage of delinquency in relation to total Special Tax levy,

- status of the actions taken by the School District and/or the District related to any foreclosure proceedings upon delinquent properties within the District;
- (vi) identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding August 15, plus:
- assessed value of applicable properties, and
 - summary of results of foreclosure sales, if available,
- (vii) a copy of any report for or concerning the District as of the immediately preceding October 31 required under State law;
- (viii) Any changes to the Rate and Method of Apportionment of Special Tax for the District approved or submitted to the qualified electors of the District for approval prior to the filing of the Annual Report; and
- (ix) With respect to the District, the following information:
- The amount of bonds authorized for the District,
 - The amount of bonds issued,
 - The date of issuance of such bonds,
 - A description of the use of the proceeds of bonds issued, and
 - Balance as of a date within 60 days preceding the date of the Annual Report, of any other fund not referenced above.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Authority or a District, as applicable, shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or a District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority or District shall clearly identify each such other document so included by reference.

A form of information cover sheet for municipal secondary market disclosure recommended by the Municipal Securities Rulemaking Board is attached as Exhibit B.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Authority and the Districts, as applicable, shall give, or cause to be given, notice of the occurrence of any of the following events with respect to its Bonds or Special Tax Bonds, as applicable, if material:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) Contingent or unscheduled bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities; and
- (xi) Rating changes.

(b) The Dissemination Agent shall, within five business days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Authority or applicable District, as applicable, promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of the Listed Events described under clauses (ii), (iii), (vi), (x) and (xi) above shall mean actual knowledge by an officer at the principal office of the Dissemination Agent. The Dissemination Agent shall have no responsibility for determining the materiality of any of the Listed Events.

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

(d) If the Authority or a District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Authority or District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f). The Authority or District shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the National Repositories, the Municipal Securities Rulemaking Board and each State Repository, if any.

(e) If in response to a request under subsection (b), the Authority or a District determines that the Listed Event would not be material under applicable Federal securities law, the Authority or District, as applicable, 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 Authority or a District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repositories or the Municipal Securities Rulemaking Board and each State Repository and shall provide a copy of such notice to the Insurer and the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Authority Indenture.

Section 6. Termination of Reporting Obligation. All of the Authority's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the Bonds, (ii) prior redemption of the Bonds, or (iii) payment in full of all the Bonds. All of a District's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of such District's Special Tax Bonds, (ii) prior redemption of such District's Special Tax Bonds, or (iii) payment in full of all such District's Special Tax Bonds. If such determination occurs prior to the final maturity of the Bonds, the Authority or a District shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. Dissemination Agent. The Authority and the Districts may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out their obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Dolinka Group, Inc. The Dissemination Agent may resign by providing thirty days' written notice to the Authority and the Districts, the Trustee (if the Trustee is not the Dissemination Agent) and the Fiscal Agents. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Authority and the Districts in a timely manner and in a form suitable for filing.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority, the Districts, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Authority and the Districts, so long as such amendment does not adversely affect the rights or obligations of the Trustee or the Dissemination Agent, as applicable), 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, the Special Tax Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by owners of the Bonds in the manner provided in the Authority Indenture for amendments to the Authority Indenture with the consent of

owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Authority or the Districts, as applicable, to meet their obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(f).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority or a 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 Authority or a 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 Authority or such District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Authority, a District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee) or any owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority, the Districts, the Trustee or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Authority Indenture or a District Bond Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority, a District, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Sections 8.02, 8.03, 8.04 and Section 8.06 of the Authority Indenture are hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Authority Indenture, and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded to the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties hereunder as are specifically set forth in this Disclosure Agreement. This Disclosure Agreement does not apply to any other securities issued or to be issued by the Authority or the Districts. The

Dissemination Agent shall have no obligation to make any disclosure concerning the Bonds, the Special Tax Bonds, the Authority, the Districts or any other matter except as expressly set out herein, provided that no provision of this Disclosure Agreement shall limit the duties or obligations of the Trustee under the Authority Indenture. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. The fact that the Trustee has or may have any banking, fiduciary or other relationship with the Authority, a District or any other party, apart from the relationship created by the Authority Indenture and this Disclosure Agreement, shall not be construed to mean that the Trustee has knowledge or notice of any event or condition relating to the Bonds, the Special Tax Bonds, the Authority or a District except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the Authority and the Districts as to the materiality of any event for purposes of Section 5 hereof. Neither the Trustee nor the Dissemination Agent make any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent shall be paid compensation by the Authority and the Districts for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Authority and Districts' obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 12. Beneficiaries. The Participating Underwriter, the Insurer and the owners and beneficial owners from time to time of the Bonds shall be third party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Districts, the Trustee, the Fiscal Agents, the Dissemination Agent, the Insurer, the Participating Underwriter and owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Notices. Any notice or communications to or among any of the parties to this Disclosure Agreement shall be given to all of the following and may be given as follows:

If to the Authority or a Community Facilities District	Poway Unified School District Public Financing Authority 13626 Twin Peaks Road Poway, California 92064-3034 Telephone: 858/679-2501 Telecopier: 858/513-0967 Attention: Associate Superintendent, Business Support Services
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If to the Dissemination Agent:	Dolinka Group, Inc. 1301 Dove Street, Suite 700 Newport Beach, California 92660 Telephone: 949/250-8300 Telecopier: 949/250-8301
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If to the
Trustee: Zions First National Bank
550 South Hope Street, Suite 2650
Los Angeles, California 90071
Telephone: 213/593-3152
Telecopier: 213/593-3160

If to the
Participating
Underwriter: Stone & Youngberg LLC
One Ferry Building
San Francisco, California 94111
Telephone: 415/445-2300
Telecopier: 415/445-2395
Attention: Municipal Research Department

If to the Insurer: Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Telephone: 212/668-0340
Attention: General Counsel

Section 14. Future Determination of Obligated Persons. In the event the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within a District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Authority or a District to meeting the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Agreement shall be deemed to obligate the Authority or a District to disclose information concerning any owner of land within a District except as required as part of the information required to be disclosed by a District pursuant to Section 4 and Section 5 hereof.

Section 15. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 16. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 18. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

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

POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY ON BEHALF OF ITSELF AND POWAY UNIFIED SCHOOL DISTRICT ON BEHALF OF THE POWAY UNIFIED SCHOOL DISTRICT ON BEHALF OF COMMUNITY FACILITIES DISTRICT NO. 2 (SUBAREA IV – TORREY HIGHLANDS), COMMUNITY FACILITIES DISTRICT NO. 4 (BLACK MOUNTAIN RANCH), COMMUNITY FACILITIES DISTRICT NO. 8 (BLACK MOUNTAIN RANCH PHASE II), COMMUNITY FACILITIES DISTRICT NO. 9 (PORTSWOOD), COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV) AND COMMUNITY FACILITIES DISTRICT NO. 12 (BLACK MOUNTAIN RANCH PHASE II – SOUTHERN VILLAGE AND THE CLUSTERS)

By: _____
Authorized Officer

ZIONS FIRST NATIONAL BANK,
as Trustee

By: _____
Authorized Officer

DOLINKA GROUP, INC.,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO NATIONAL REPOSITORIES OR THE MUNICIPAL SECURITIES
RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Poway Unified School District Public Financing Authority
Name of Bond Issue: Poway Unified School District Public Financing Authority 2007 Revenue Bonds
Date of Issuance: June 20, 2007

NOTICE IS HEREBY GIVEN that Poway Unified School District Public Financing Authority [Community Facilities District No. 2] [Community Facilities District No. 3] [Community Facilities District No. 4] [Community Facilities District No. 8] [Community Facilities District No. 9] [Community Facilities District No. 10] [Community Facilities District No. 12] has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of April 1, 2007, by and among the Poway Unified School District Public Financing Authority, the Districts, Zions First National Bank, as Trustee and Dolinka Group, Inc., as Dissemination Agent. [_____ anticipates that the Annual Report will be filed by _____.]

Dated: _____, 20__

Dolinka Group, Inc., as Dissemination Agent, on behalf of the Poway Unified School District Public Financing Authority, Community Facilities District No. 2 (Subarea IV – Torrey Highlands), Community Facilities District No. 4 (Black Mountain Ranch), Community Facilities District No. 8 (Black Mountain Ranch Phase II), Community Facilities District No. 9 (Portswood), Community Facilities District No. 10 (Torrey Highlands – Subarea IV) and Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and the Clusters)

cc: Poway Unified School District Public Financing Authority
Community Facilities District No. 2
Community Facilities District No. 4
Community Facilities District No. 8
Community Facilities District No. 9
Community Facilities District No. 10
Community Facilities District No. 12
Stone & Youngberg LLC
Zions First National Bank

EXHIBIT B

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission Rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where Issuer is located):

\$69,945,000
POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
2007 REVENUE BONDS

(California)

Provide nine-digit CUSIP® numbers* if available, to which the information relates:

<u>Maturity</u>	<u>CUSIP®</u>	<u>Maturity</u>	<u>CUSIP®</u>
2008	73885NAY2	2019	73885NBK1
2009	73885NAZ9	2020	73885NBL9
2010	73885NBA3	2021	73885NBM7
2011	73885NBB1	2022	73885NBN5
2012	73885NBC9	2023	73885NBP0
2013	73885NBD7	2024	73885NBQ8
2014	73885NBE5	2028	73885NBR6
2015	73885NBF2	2031	73885NBT2
2016	73885NBG0	2037	73885NBU9
2017	73885NBH8	2042	73885NBV7
2018	73885NBJ4		

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP® number(s), * if available, of Issuer: _____

*(Contact CUSIP®'s Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP® numbers.)

TYPE OF FILING:

Electronic (number of pages attached) _____ Paper (number of pages attached) _____

If information is also available on the Internet, give URL: _____

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12**

(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: _____

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: _____

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. <input type="checkbox"/> Non-payment related defaults | 7. <input type="checkbox"/> Modifications to the rights of security holders |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties | 9. <input type="checkbox"/> Defeasances |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
| | 11. <input type="checkbox"/> Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name _____ Title _____

Employer _____

Address _____ City _____ State _____ Zip Code _____

Telephone _____ Fax _____

Email Address _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name _____ Title _____

Employer _____

Address _____ City _____ State _____ Zip Code _____

Telephone _____ Fax _____

Email Address _____ Relationship to Issuer _____

Obligor Contact, if any:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Obligor Web site Address _____

Investor Relations Contact, if any:

Name _____ Title _____
Telephone _____ Email Address _____

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

Board of Directors
Poway Unified School District Public Financing Authority
13626 Twin Peaks Road
Poway, California

\$69,945,000
POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
2007 REVENUE BONDS

FINAL OPINION

Ladies and Gentlemen:

We have acted as bond counsel to the Poway Unified School District Public Financing Authority (the "Authority") in connection with the sale and delivery of the Authority's 2007 Revenue in the aggregate principal amount of \$69,945,000 (the "Bonds"). The Bonds are issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Government Code Section 6584 and following, a resolution adopted by the Board of Directors of the Authority on April 10, 2007 (the "Resolution of Issuance") and an Indenture of Trust dated as of April 1, 2007 (the "Indenture") and entered into by and between the Authority and Zions First National Bank, as trustee. Capitalized terms used herein, but not defined herein, have the meanings ascribed to those terms in the Indenture.

The Bonds are special, limited obligations of the Authority. The Bonds are payable solely from and secured by a first lien upon and pledge of the Revenues of the Authority and from certain other amounts on deposit in the funds and accounts created under the Indenture.

We have examined the Indenture, the Resolution of Issuance, the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications, documents and written opinions provided to us by persons believed to be responsible without undertaking to verify such facts by independent investigation. We have also assumed the genuineness of the signatures appearing upon such records, proceedings, certifications, documents and opinions.

We call attention to the fact that the rights and obligations under the Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

We have not been engaged to take, and have not undertaken, any responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon our examination and subject to the foregoing, we are of the opinion, as of the date hereof, that:

1. The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California and has duly and validly authorized all the acts undertaken by it in connection with the authorization, issuance, sale and delivery of the Bonds.
2. The Indenture has been duly entered into by the Authority and constitutes a legal, valid and binding limited obligation of the Authority enforceable in accordance with its terms.
3. The Indenture creates valid liens on the funds pledged by the Indenture for the security of and payment on the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided for in the Indenture.
5. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issuance of the Bonds. Pursuant to the Indenture, the Authority has covenanted to comply with the requirements of the Code and applicable regulations promulgated thereunder.

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

We are further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

Although interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

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

Respectfully submitted,

BEST BEST & KRIEGER LLP

APPENDIX F

BOOK-ENTRY-ONLY PROVISIONS

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the Authority which the Authority believes to be reliable, but the Authority, the School District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners

are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmissions to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Discontinuance of DTC Services

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Authority determines that DTC shall no longer act and delivers a written certificate to the Trustee to that effect, then the Authority will discontinue the Book-Entry System with DTC for the Bonds. If the Authority determines to replace DTC with another qualified securities depository, the Authority will prepare or direct the preparation of a new single separate, fully-registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Indenture. If the Authority fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the Bonds will be payable upon surrender thereof at the trust office of the Trustee identified in the Indenture, and (iii) the Bonds will be transferable and exchangeable as provided in the Indenture.

The Authority and the Trustee do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, redemption price of or interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Indenture; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Indenture. The Authority and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The Authority and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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APPENDIX G

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



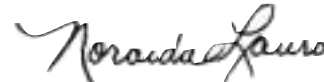
Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)



Authorized Officer of Insurance Trustee

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation



President



Secretary

Authorized Representative

APPENDIX H

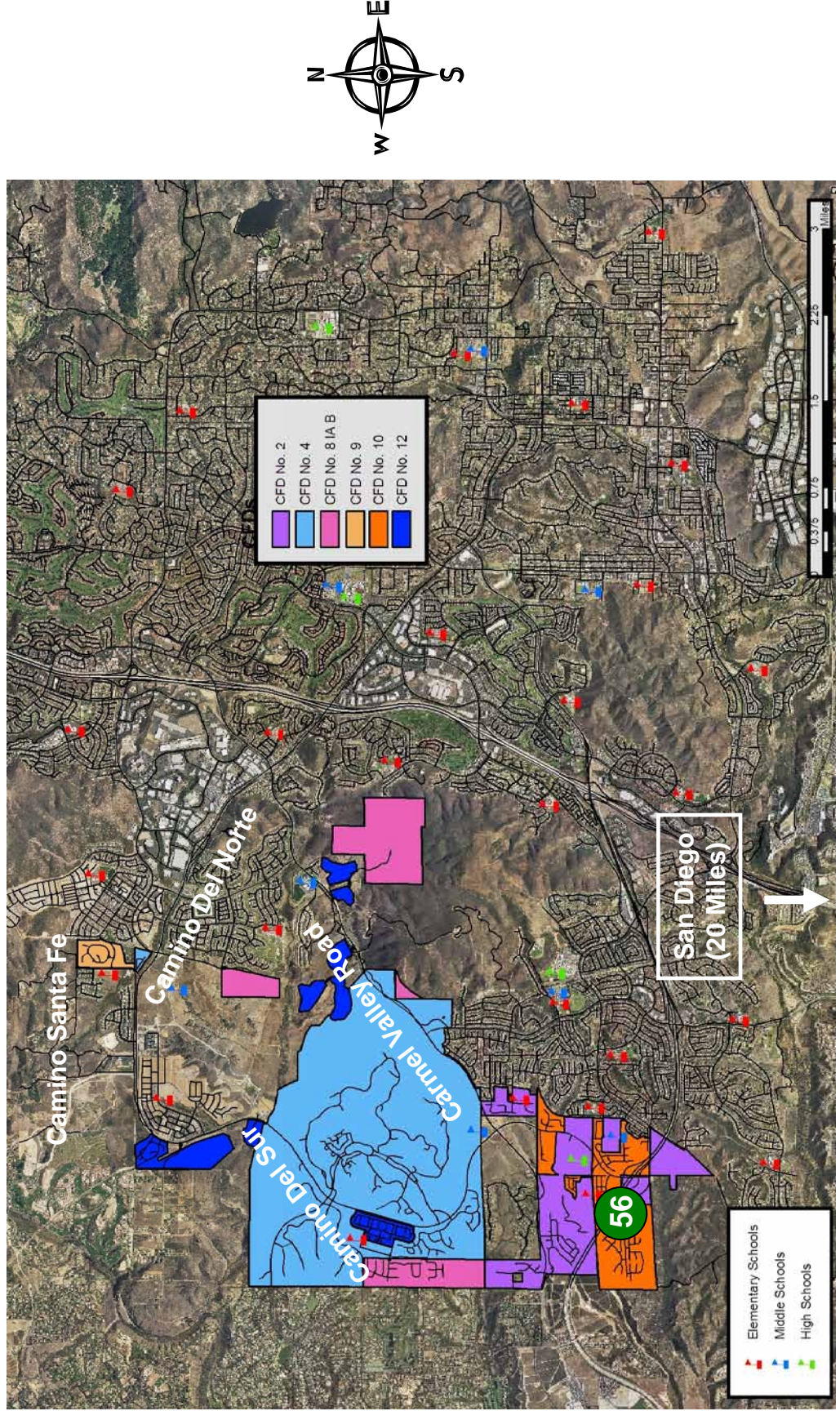
OVERVIEW OF COMMUNITY FACILITIES DISTRICTS

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Appendix H

Overview of Community Facilities Districts

Location of the Pooled CFDs



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