#### NEW ISSUE - BOOK-ENTRY ONLY

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 and is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "CONCLUDING INFORMATION - Tax Exemption" herein.

#### \$34,615,000

#### POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY 2011 SPECIAL TAX REVENUE REFUNDING BONDS

#### **Dated: Date of Delivery**

#### Due: September 15, as shown on inside cover

The Poway Unified School District Public Financing Authority 2011 Special Tax Revenue Refunding Bonds (the "Bonds") are being issued pursuant to an Indenture of Trust (the "Authority Indenture"), dated as of November 1, 2011, by and between Poway Unified School District Public Financing Authority (the "Authority") and Zions First National Bank, as trustee (the "Trustee") (i) to purchase three separate series of CFD Refunding Bonds (each a "Series of CFD Refunding Bonds" or "CFD Refunding Bonds," as more specifically defined herein), (ii) to fund the Reserve Fund for the Bonds in an amount equal to the Reserve Requirement and (iii) to pay costs of issuance of the Bonds and the CFD Refunding Bonds.

The Bonds will be issued in the denominations of \$5,000 or any integral multiple thereof. Interest is payable semiannually on March 15 and September 15 each year, commencing March 15, 2012. 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 G – "BOOK-ENTRY-ONLY PROVISIONS."

The Bonds are subject to optional redemption, special mandatory redemption from proceeds of redemption of CFD Refunding 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, the Authority Administrative Expense Fund or the Rebate Fund. Revenues consist generally of the amounts received by the Trustee as the payment of each Series of CFD Refunding Bonds, which payments are to be derived from Special Taxes received with respect to Improvement Area A of Community Facilities District No. 6 (4S Ranch) and Improvement Areas A and B of Community Facilities District No. 10 (Torrey Highlands – Subarea IV) (collectively, the "Improvement Areas" and the "Districts," respectively), as more fully described herein. The payments on the CFD Refunding 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 CFD Refunding Bonds are made when due. In addition, it is currently anticipated that annual Net Special Tax Revenues available for debt service on the CFD Refunding Bonds are made when due. In addition, it is currently anticipated that annual Net Special Tax Revenues available for debt service on the CFD Refunding Bonds will exceed the debt service on the CFD Refunding Bonds and such excess will be transferred to the Authority on September 2 of each year and available for, among other things, payment of principal of or interest on the Bonds if needed at that time. A default in the payment of one Series of CFD Refunding Bonds and such excess will be transferred to the Authority on September 2 of each year and available for, among other things, payment of principal of or interest on the Bonds if needed at that time. A default in the payment of one Series of CFD Refunding Bonds and such excess of CFD Refunding Bonds is secured by a separate source of revenues. An event of default under one Series of CFD Ref

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 "BOND OWNERS' 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, Laguna Hills, California, Disclosure Counsel. Additionally, Nossaman LLP, Irvine, California, has reviewed certain matters as counsel for the Underwriter. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about November 3, 2011.

#### \$34,615,000 POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY 2011 SPECIAL TAX REVENUE REFUNDING BONDS

Maturity (September 15)	Principal Amount	Interest Rate	Yield/ Price	CUSIP® No.†	Maturity (September 15)	Principal Amount	Interest Rate	Yield/ Price	CUSIP <sup>®</sup> No. <sup>†</sup>
2012	\$945,000	1.000%	0.950%	AA7	2022	\$1,500,000	4.500%	4.600%	AL3
2013	730,000	1.750	1.750	AB5	2023	1,625,000	4.625	4.750	AM1
2014	795,000	2.250	2.250	AC3	2024	1,760,000	4.750	4.875	AN9
2015	850,000	2.750	2.750	AD1	2025	1,890,000	5.000	5.000	AP4
2016	925,000	3.250	3.250	AE9	2026	2,060,000	5.000	5.100	AQ2
2017	1,005,000	3.375	3.550	AF6	2027	2,215,000	5.000	5.150	AR0
2018	1,095,000	3.750	3.800	AG4	2028	2,380,000	5.125	5.250	AS8
2019	1,180,000	4.000	4.100	AH2	2029	2,575,000	5.250	5.350	AT6
2020	1,275,000	4.125	4.300	AJ8	2030	2,770,000	5.375	5.450	AU3
2021	1,390,000	4.375	4.450	AK5	2031	2,385,000	5.375	5.500	AV1

#### MATURITY SCHEDULE \$31,350,000 SERIAL BONDS Base CUSIP<sup>®</sup> No. 73885Q<sup>†</sup>

3,265,000 5.500% Term Bonds Due September 15, 2033 Yield 5.500% CUSIP® No. 73885Q AX7  $^{\dagger}$ 

<sup>&</sup>lt;sup>†</sup> CUSIP<sup>®</sup> A registered trademark of the American Bankers Association. Copyright © 1999-2011 Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. CUSIP<sup>®</sup> data herein is provided by Standard & Poor's CUSIP<sup>®</sup> Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP<sup>®</sup> Service Bureau. CUSIP<sup>®</sup> numbers are provided for convenience of reference only. Neither the Community Facilities District nor the Underwriter takes any responsibility for the accuracy of such numbers.

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

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

Penny Ranftle, *President* Linda Vanderveen, *Vice President* Andy Patapow, *Clerk of the Board* Marc Davis, *Member* Todd Gutschow, *Member* 

#### SCHOOL DISTRICT ADMINISTRATION

John P. Collins, Ed.D., 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 Laguna Hills, California

#### ASSESSED VALUE ANALYSIS CONSULTANT

Stephen G. White, MAI Fullerton, California

#### FINANCIAL ADVISOR, SPECIAL TAX CONSULTANT & ADMINISTRATOR

Dolinka Group, LLC Irvine, California

#### **VERIFICATION AGENT**

Grant Thornton Minneapolis, Minnesota

#### **TRUSTEE, FISCAL AGENT AND ESCROW 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. All information for investors regarding the Authority, the Districts and the Bonds is contained in this Official Statement. While the School District maintains an internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the School District.

*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.

Authorized Information. 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 overallot 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 inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

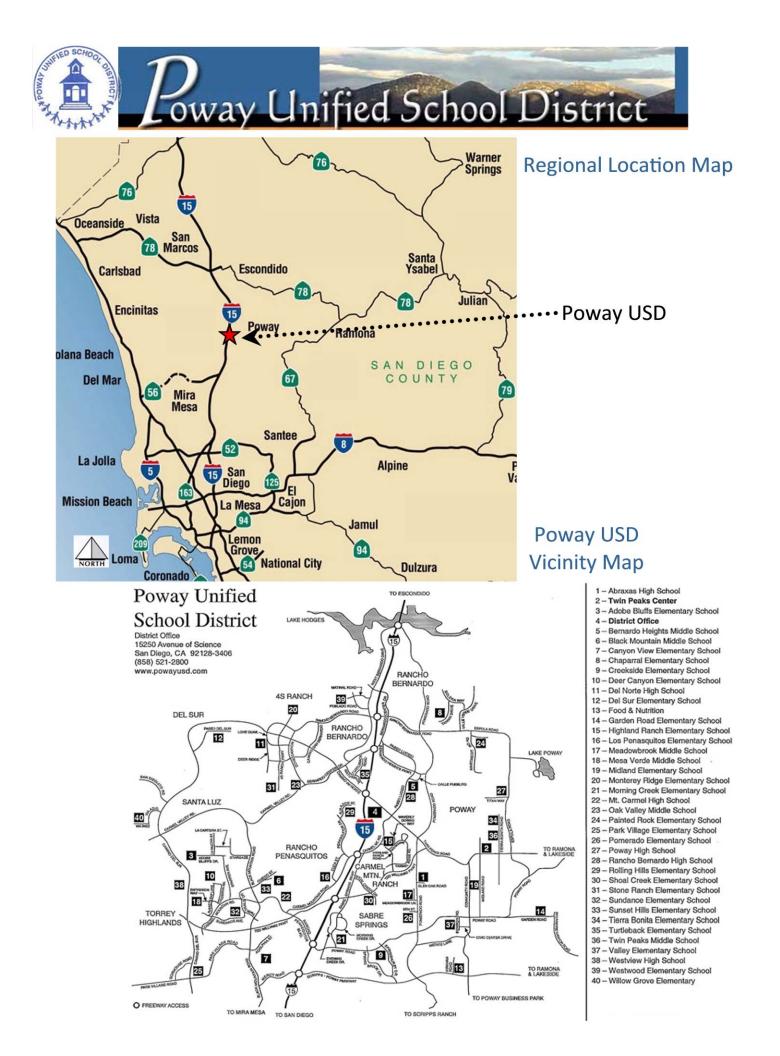
THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

	Page
INTRODUCTION	
General	
The Authority	
Purpose of Issue	
The Districts and the Improvement Areas	
The School District	
Authority for Issuance	
Security for the Bonds	
Reserve Fund	
Surplus Fund	
Sources of Payment for the CFD Refunding Bonds	
Assessed Value Analysis	
Assessed Values	
Additional Bonds; Additional CFD Refunding Bonds	
Description of the Bonds	
Tax Exemption	
Risk Factors Associated with Purchasing the Bonds	
Forward Looking Statements	
Professionals Involved in the Offering	
Continuing Disclosure	
Other Information	
THE FINANCING PLAN	
APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS	
THE BONDS	
Authority for Issuance	
General Provisions	
Redemption	
Transfer and Exchange of Bonds	
The Trustee	
Book-Entry and DTC	
Estimated Debt Service Schedule	
SOURCES OF PAYMENT FOR THE BONDS	
General	
Revenue Fund	
Reserve Fund	
Surplus Fund	
Ownership of CFD Refunding Bonds	
The CFD Refunding Bonds	
Covenant for Superior Court Foreclosure	
Transfer of Excess Net Special Tax Revenues to Authority Surplus Fund	
Authorized Investments	
Additional CFD Refunding Bonds	
No Acceleration	
Sale of CFD Refunding Bonds	
Estimated Scheduled CFD Refunding Bonds Debt Service	
Levy of Special Taxes to Applicable Maximum Rates	
THE DISTRICTS	
General	
Location and Description	35

#### TABLE OF CONTENTS

Estimated Assessed Property Values and Estimated Assessed Value-to-Lien Ratios37Direct and Overlapping Debt40Overlapping Assessment and Maintenance Districts46Rates and Methods of Apportionment of Special Tax47Special Tax Delinquency49Special Taxes Are Not Within Teeter Plan51BOND OWNERS' RISKS52The Bonds52The CFD Refunding Bonds54THE AUTHORITY63CONCLUDING INFORMATION64Absence of Litigation65	
Overlapping Assessment and Maintenance Districts.46Rates and Methods of Apportionment of Special Tax.47Special Tax Delinquency.49Special Taxes Are Not Within Teeter Plan.51BOND OWNERS' RISKS.52The Bonds.52The CFD Refunding Bonds54THE AUTHORITY63CONCLUDING INFORMATION64Tax Exemption64	rty Values and Estimated Assessed Value-to-Lien Ratios
Overlapping Assessment and Maintenance Districts.46Rates and Methods of Apportionment of Special Tax.47Special Tax Delinquency.49Special Taxes Are Not Within Teeter Plan.51BOND OWNERS' RISKS.52The Bonds.52The CFD Refunding Bonds54THE AUTHORITY63CONCLUDING INFORMATION64Tax Exemption64	-40
Rates and Methods of Apportionment of Special Tax47Special Tax Delinquency49Special Taxes Are Not Within Teeter Plan51BOND OWNERS' RISKS52The Bonds52The CFD Refunding Bonds54THE AUTHORITY63CONCLUDING INFORMATION64Tax Exemption64	nd Maintenance Districts
Special Tax Delinquency49Special Taxes Are Not Within Teeter Plan51BOND OWNERS' RISKS52The Bonds52The CFD Refunding Bonds54THE AUTHORITY63CONCLUDING INFORMATION64Tax Exemption64	
Special Taxes Are Not Within Teeter Plan.51BOND OWNERS' RISKS.52The Bonds.52The CFD Refunding Bonds54THE AUTHORITY63CONCLUDING INFORMATION64Tax Exemption64	
The Bonds	
The CFD Refunding Bonds       54         THE AUTHORITY       63         CONCLUDING INFORMATION       64         Tax Exemption       64	
THE AUTHORITY	
CONCLUDING INFORMATION	s
Tax Exemption64	
	ГION
Absence of Litigation	
American Jobs Act of 2011; Debt Reduction Act	1; Debt Reduction Act65
No General Obligation of Authority, School District or Districts	Authority, School District or Districts
Legal Opinion	
No Ratings	
Underwriting	
Professional Fees	
Additional Information67	
APPENDIX A – GENERAL INFORMATION ABOUT THE POWAY UNIFIED	
SCHOOL DISTRICT	
APPENDIX B - RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX	
APPENDIX C – ASSESSED VALUE ANALYSIS	

APPENDIX D -	SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS .	D-1
APPENDIX E –	FORM OF CONTINUING DISCLOSURE AGREEMENT	E-1
APPENDIX F –	PROPOSED FORM OF OPINION OF BOND COUNSEL	F-1
APPENDIX G –	BOOK-ENTRY-ONLY PROVISIONS	G-1



### POWAY UNIFIED SCHOOL DISTRICT

Community Facilities District No. 6

**IMPROVEMENT AREA A** 



### **POWAY UNIFIED SCHOOL DISTRICT**

Community Facilities District No. 10 Improvement Areas A & B



[THIS PAGE INTENTIONALLY LEFT BLANK]

#### **OFFICIAL STATEMENT**

#### \$34,615,000 POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY 2011 SPECIAL TAX REVENUE REFUNDING 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 2011 Special Tax Revenue Refunding Bonds (the "Authority" and the "Bonds," respectively).

The Bonds are being issued pursuant to an Indenture of Trust (the "Authority Indenture"), dated as of November 1, 2011, by and between the Authority and Zions First National Bank, as the trustee (the "Trustee"). See "THE BONDS – Authority for Issuance" herein.

#### The Authority

The Authority is a joint exercise of powers agency organized under the joint exercise of powers act, constituting Articles 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.

#### **Purpose of Issue**

Proceeds of the CFD Refunding Bonds will be used to refund bonds previously issued with respect to each applicable Improvement Area, all as further described under "APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS." Proceeds of the Bonds will be used as follows: (i) to finance the acquisition by the Authority of three Series of CFD Refunding Bonds (as defined below); (ii) to fund the Reserve Fund for the Bonds in an amount equal to the Reserve Requirement and (iii) to pay costs of issuance of the Bonds and the CFD Refunding Bonds. The Bonds shall constitute special obligations of the Authority.

The three series of Special Tax Bonds (each a "Series of CFD Refunding Bonds" or "CFD Refunding Bonds," as applicable), consist of the following: (i) Poway Unified School District Community Facilities District No. 6 (4S Ranch) Improvement Area A Special Tax Refunding Bonds, Series 2011 ("CFD No. 6" and the "CFD No. 6 IA A Refunding Bonds," respectively); (ii) Poway Unified School District Community Facilities District No. 10 (Torrey Highlands-Subarea IV) Improvement Area A Special Tax Refunding Bonds, Series 2011 ("CFD No. 10" and the "CFD No. 10 IA A Refunding Bonds," respectively); and (iii) CFD No. 10's Improvement Area B Special Tax Refunding Bonds, Series 2011 (the "CFD No. 10 IA B Refunding Bonds").

Proceeds of the CFD Refunding Bonds will be used to refund bonds previously issued with respect to each applicable Improvement Area, all as further described under "APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS."

#### The Districts and the Improvement Areas

The Districts and the Improvement Areas 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. The Improvement Areas are specified areas in which a separate special tax (the "Special Taxes" or the "Special Tax") may be levied in accordance with the applicable Rate and Method of Apportionment of Special Tax (each a "Rate and Method" with respect to the applicable Improvement Area). Subject to approval by a two-thirds vote of the qualified voters within a community facilities district or improvement area therein, as applicable, 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 on the real property within the boundaries of the respective Improvement Areas and the incurrence by the respective Districts of bonded indebtedness with respect to the Improvement Areas were authorized pursuant to the Act. Each Improvement Area was established to finance the acquisition and construction of certain non-school facilities and, to the extent of Special Taxes available therefor, to pay for School Facilities. The Districts have previously issued special tax bonds with respect to the Improvement Areas which are being refunded as described herein.

In addition to the bonds issued with respect to each Improvement Area, the qualified electors in CFD No. 6 and CFD No. 10 authorized the applicable District to incur \$130,000,000 and \$45,000,000, respectively, of bonded indebtedness to finance the acquisition and construction of School Facilities and approved the levy of special taxes therefore. CFD No. 6 issued an aggregate of \$112,990,000 of bonds for School Facilities in 2002, 2005, 2007 and 2010. Such bonds are not payable from the Special Taxes of any of the Improvement Areas and are payable from special taxes levied under the CFD No. 6 Rate and Method. CFD No. 10 issued an aggregate of \$38,230,000 of bonds for School Facilities in 2007. Such bonds are not payable from the Special Taxes of any of the Improvement Areas and are payable from special taxes levied under the CFD No. 10 issued an aggregate of \$38,230,000 of bonds for School Facilities in 2007. Such bonds are not payable from the Special Taxes of any of the Improvement Areas and are payable from special taxes levied under the CFD No. 10 issued an aggregate of \$38,230,000 of bonds for School Facilities in 2007. Such bonds are not payable from the Special Taxes of any of the Improvement Areas and are payable from special taxes levied under the CFD No. 10 Rate and Method.

*Improvement Area A of CFD No. 6.* Improvement Area A of CFD No. 6 is a portion of CFD No. 6 and consists of an area referred to as Neighborhood Two which is located south of Camino Del Norte and on both sides of 4S Ranch Parkway. This location is in a still-developing area in the northern unincorporated portion of San Diego County (the "County"), just under 2 miles west of the Interstate 15 Freeway. CFD No. 6 lies within the area of the master-planned community known as "4S Ranch" and is part of the specific plan area known as "4S Ranch." CFD No. 6 is an extension of the on-going development of the community of Rancho Bernardo.

Neighborhood Two is located south of Camino Del Norte and extends from west of 4S Ranch Parkway to east of Dove Canyon Road, consisting of approximately 141 net residential acres located in the southern portion of CFD No. 6. The neighborhood includes approximately 565 Detached Units, a 23-acre middle school and a 22-acre community park. Bernardo Center Drive/Carmel Valley Road passes through this Neighborhood. The central portion of Neighborhood Two includes the Lusardi Creek Natural Park, which is a major open-space corridor comprising approximately 161 gross acres. All 565 detached units have been completed and sold in Neighborhood Two and are classified as Developed Property.

Improvement Areas A and B of 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 of San Diego. 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 Westview High School. 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. All 626 dwelling units have been completed and sold within Improvement Areas A and B and are classified as Developed Property. The specific information for each Improvement Area regarding the number of single-family detached homes and single-family attached units is described in "THE DISTRICTS."

#### **The School District**

The Poway Unified School District (the "School District") is located northeast of the City of San Diego. The School District was originally formed in 1962. The School District currently covers approximately 100 square miles in the central portion of the County and includes the City of Poway and portions of the City of San Diego and the County, including the communities of Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santaluz, Santa Fe Valley, Torrey Highlands and 4S Ranch. The School District currently operates 25 elementary schools (K-5), six middle schools (6-8), five comprehensive high schools (9-12), and one continuation high school. The School District reported 34,135 students enrolled at the California Basic Educational Data System ("CBEDS") for Fiscal Year 2010-11 and estimates approximately 34,423 of students enrolled during Fiscal Year 2011-12. See Appendix A.

#### **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 CFD Refunding Bonds for refunding purposes. See "SOURCES OF PAYMENT FOR THE BONDS – Additional CFD Refunding Bonds."

#### **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, the Authority Administrative Expense Fund and the Rebate Fund. The Authority will establish a Reserve Fund and a Surplus Fund for the Bonds. See "– Reserve Fund" and "– Surplus Fund" below.

Generally, "Revenues" are (i) all amounts derived by the Authority from the CFD Refunding 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 in the Authority Indenture for payment of the Bonds, except for the Program Fund, the Authority School Facilities Fund, the Authority Administrative Expense 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, the Authority Administrative Expense Fund and the Rebate Fund. 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 special tax bonds with respect to the applicable Improvement Area on a parity with the applicable CFD Refunding Bonds only to effect a refunding of such CFD Refunding Bonds subject to compliance with the provisions of the applicable CFD Bond Indenture. See "SOURCES OF PAYMENT FOR THE BONDS – General," "SOURCES OF PAYMENT FOR THE BONDS – Additional CFD Refunding Bonds" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS."

See the section of this Official Statement entitled "BOND OWNERS' 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 the 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, 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.

*The CFD Refunding Bonds.* The CFD Refunding Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), to refund special tax bonds issued with respect to each applicable Improvement Area. The CFD Refunding Bonds are being issued by the Districts pursuant to the Act and under separate Bond Indentures (each a "CFD Bond Indenture"), each dated as of November 1, 2011, each by and between the applicable District and Zions First National Bank, as Fiscal Agent for each Series of CFD Refunding Bonds.

The CFD Refunding 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 Improvement Areas, 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 Improvement Area. See "SOURCES OF PAYMENT FOR THE BONDS – The CFD Refunding Bonds." See "THE DISTRICTS – General" below.

The amount of the Special Taxes to be levied annually on a parcel will depend on the parcel's classification in accordance with the applicable Rate and Method of Apportionment of Special Tax for each Improvement Area (each a "Rate and Method"). See "THE DISTRICTS – Rates and Methods of Apportionment of Special Tax" and APPENDIX B – "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX." 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 the applicable Improvement Area 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 CFD Bond Indenture to levy in each Fiscal Year the Special Taxes on parcels of land within the applicable Improvement Area pledged to the repayment of the respective CFD Refunding Bonds in an amount sufficient to pay annual debt service on the respective CFD Refunding Bonds and to pay the administrative expenses related to the applicable Improvement Area, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within such Improvement Area. Each District has also agreed to pay a portion of the administrative expenses of the Authority, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within the applicable Improvement Area. See "THE DISTRICTS" for a description of the Districts and a description of the Special Tax within each District or applicable Improvement Area. See also "SOURCES OF PAYMENT FOR THE BONDS" and "BOND OWNERS' RISKS" herein.

The CFD Refunding Bonds are special obligations of each District with respect to the applicable Improvement Area. The CFD Refunding Bonds do not constitute a debt or liability of the School District, the State or of any political subdivision thereof, other that the applicable District with respect to the applicable Improvement Area. Each District shall only be obligated to pay the principal of the applicable CFD Refunding 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 CFD Refunding Bonds. The Districts have no *ad valorem* taxing power. See "SOURCES OF PAYMENT FOR THE BONDS" and "BOND OWNERS' RISKS" herein.

#### **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 (as such terms are defined herein), 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, from proceeds of the Bonds. The Reserve Requirement required by the Authority Indenture results in an amount, as of any date of calculation, equal to Maximum Annual Debt Service of the Bonds. See "SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust."

#### **Surplus Fund**

It is currently anticipated that annual Net Special Tax Revenues (as defined below) available for debt service on the CFD Refunding Bonds will exceed the debt service on the CFD Refunding Bonds and such excess will be transferred to the Authority on September 2 of each year and available for, among other things, payment of principal of or interest on the Bonds, if needed at that time, 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 CFD Refunding Bonds; (ii) to the Authority Trustee the District's Proportionate Share of any Excess Authority Rebate Obligation (as such terms are defined in 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.

Moneys in the Surplus Fund shall be transferred by the Authority Trustee (i) to pay principal and interest on the Bonds in the event that moneys in the Revenue Fund are insufficient to make any deposits required for such purposes pursuant to the Authority Indenture, (ii) to the Reserve Fund in order to replenish the Reserve Fund to the Reserve Requirement, (iii) to the Rebate Fund to increase the amount on deposit therein to the Rebate Requirement and (iv) to the Authority Administrative Expense Fund if moneys in the Revenue Fund are insufficient to make any deposit required pursuant to the Authority Indenture. See "THE BONDS" – Estimated Debt Service Schedule" and "SOURCES OF PAYMENT FOR THE BONDS – Surplus Fund."

#### Sources of Payment for the CFD Refunding Bonds

The CFD Refunding Bonds will be secured by the applicable Net Special Tax Revenues received with respect to the applicable Improvement Area and pledged to repay such CFD Refunding Bonds and by moneys in the applicable District Bond Service Fund and District Redemption Fund as established under the applicable CFD Bond Indenture. "Net Special Tax Revenues" are comprised of Special Taxes levied and received on parcels of real property in the applicable Improvement Area, including net amounts collected from the redemption of delinquent Special Taxes, less the Administrative Expense Requirement as defined in the applicable CFD Bond Indenture. The Special Taxes are included on the *ad valorem* property tax bills sent by the County each year to the owner of record for each property within each Improvement Area.

Each District has covenanted for the benefit of the Authority, as the owner of the CFD Refunding 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 CFD 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 CFD Refunding Bonds. Except for the Net Special Tax Revenues, no other taxes are pledged to the payment of the CFD Refunding Bonds. The CFD Refunding 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 applicable Bond Service Fund and applicable Redemption Fund as more fully described herein.

*No Direct Cross-Collateralization Among CFD Refunding Bonds.* The Special Taxes levied to pay debt service on one series of CFD Refunding Bonds are not available to pay debt service on any other series of CFD Refunding Bonds. See "SOURCES OF PAYMENT FOR THE BONDS – The CFD Refunding Bonds" and " – No Direct Cross-Collateralization Among CFD Refunding Bonds" and "BOND OWNERS' RISKS." However, it is currently anticipated that annual Net Special Tax Revenues available for debt service on the CFD Refunding Bonds will exceed the debt service on the CFD Refunding Bonds. Any excess will be transferred to the Authority Trustee first in relation to amounts attributable to the applicable CFD Refunding Bonds and then for deposit in the Authority Surplus Fund be applied as described above in " – Surplus Fund." See also "SOURCES OF PAYMENT FOR THE BONDS – Surplus Fund" and " – The CFD Refunding Bonds – *Special Tax Fund.*"

#### **Assessed Value Analysis**

An analysis of recent sales prices in relation to the assessed values of the completed homes within each Improvement Area, dated August 25, 2011 (the "Assessed Value Analysis"), was prepared by Stephen G. White, MAI of Fullerton, California (the "Assessed Value Analysis Consultant"), in connection with issuance of the Bonds. The purpose of the Assessed Value Analysis was to consider the total and average (per home) assessed value for each separate tract within the three Improvement Areas within the two Community Facilities Districts and to calculate the range and average of the percentage variance from recent sale prices to assessed value for homes where a closed or pending sale has occurred in 2011. The sales that have been considered include all closed sales since January 1, 2011 and current escrows/pending sales as of the August 15, 2011 date of value. The Assessed Value Analysis is based on certain assumptions set forth in APPENDIX C – "ASSESSED VALUE ANALYSIS" hereto.

The aggregate assessed values reported in the Assessed Value Analysis result in a range of negative and positive estimated percentage of variance of sales prices within the Improvement Areas to

assessed values but with the average percentage variance of the sale price to the assessed value being positive for each Improvement Area ranging from 1.1% to 12.7%.

See "THE DISTRICTS – Estimated Assessed Property Values and Estimated Assessed Value-to-Lien Ratios," "THE DISTRICTS – Direct and Overlapping Debt" and "BOND OWNERS' RISKS – The CFD Refunding Bonds – *Assessed Values*" herein and APPENDIX C – "ASSESSED VALUE ANALYSIS" appended hereto for further information on the Assessed Value Analysis and for limiting conditions relating to the Assessed Value Analysis.

#### **Assessed Values**

The Fiscal Year 2011-12 assessed values of the property within each District (excluding Exempt Property (as defined in each Rate and Method) and parcels for which Special Taxes have been prepaid) are set out in Table 10, in "THE DISTRICTS – Estimated Assessed Property Values and Estimated Assessed Value-to-Lien Ratios."

The assessed values result in estimated value-to-lien ratios with respect to each Improvement Area ranging from 11.58:1 to 12.32:1, 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 – Estimated Assessed Property Values and Estimated Assessed Value-to-Lien Ratios," and "– Direct and Overlapping Debt," and "BOND OWNERS' RISKS – The CFD Refunding Bonds – *Assessed Values*" herein for further information on the assessed values and for assumptions and limiting conditions relating to the Assessed Value Analysis. The assessed value of a property does not necessarily represent the market value for such property.

#### Additional Bonds; Additional CFD Refunding 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 CFD Refunding Bonds subject to compliance with the provisions of the applicable CFD Bond Indenture.

#### **Description of the Bonds**

*The Bonds.* The net proceeds of the Bonds will be used to acquire CFD Refunding Bonds of each District and to fund the Reserve Fund with Bond proceeds. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE DISTRICTS" herein.

*Payments.* Interest is payable on March 15, 2012, 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 G – "BOOK-ENTRY-ONLY PROVISIONS" herein.

*Redemption.* The Bonds are subject to optional redemption, special mandatory redemption from proceeds of redemption of CFD Refunding 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 G – "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 "BOND OWNERS' 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, 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 CFD Refunding Bonds and will perform the functions required of it under the Authority Indenture and each CFD Bond Indenture for the payment of the principal of and interest and any premium on the Bonds and the CFD Refunding 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. McFarlin & Anderson LLP, Laguna Hills, California, is acting as Disclosure Counsel. Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter"), Los Angeles, California, is acting as Underwriter in connection with the issuance and delivery of the Bonds. Nossaman LLP, Irvine, California, is acting as Underwriter's Counsel. The Assessed Value Analysis was prepared by Stephen G. White, MAI, of Fullerton, California. Dolinka Group, LLC, Irvine, California, is acting as Financial Advisor, Special Tax Consultant, administrator and dissemination agent to the Authority and the Districts.

Except for the Assessed Value Analysis Consultant fee and 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 and the Fiscal Agent 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 E - "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 CFD Refunding 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, 2012 (the "Annual Report") and to provide notices of the occurrence of certain listed events.

The Annual Report will be filed by the Authority or the Districts, or Dolinka Group, LLC, as Dissemination Agent on behalf of the Authority and the Districts, with the Municipal Securities Information Repository ("MSRB") through the Electronic Municipal Market Access System ("EMMA System") in an electronic format and accompanied by identifying information as prescribed by the MSRB, with a copy to the Trustee, the Fiscal Agent and the Underwriter. Any notice of a listed event will be filed by the Authority or the Districts, or the Dissemination Agent on behalf of the Authority and the Districts, with the MSRB through the EMMA System. The specific nature of the information to be contained in the Annual Report or the notices of listed 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 CFD 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.

#### **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 CFD 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 CFD 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 CFD 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 Director of Planning of the Poway Unified School District, 15250 Avenue of Science, San Diego, California 92128-3406. There may be a charge for copying, mailing and handling.

#### THE FINANCING PLAN

The Bonds are being issued for the purpose of providing funds to the Authority to purchase the CFD Refunding Bonds. The proceeds from the sale of the CFD Refunding Bonds to the Authority will be used, together with other available moneys, to refund all of the outstanding bonds issued with respect to each applicable Improvement Area (each a series of "Prior CFD Bonds"). The amount of Prior CFD Bonds issued with respect to each Improvement Area and the amount of Prior CFD Bonds outstanding therefore is set forth below:

			Prior CFD
	Authorized		Bonds
	Aggregate		Outstanding
	Principal	Aggregate	for each
	Amount of	Prior CFD	Improvement
Improvement Area	Bonds	Bonds Issued	Area
Improvement Area           CFD No. 6, Improvement Area A	Bonds \$18,000,000	Bonds Issued \$18,000,000	Area \$17,530,000
¥			·

Advance Refundings. A portion of the proceeds of each series of CFD Refunding Bonds will be deposited into an escrow fund established under an escrow agreement, dated as of November 1, 2011 (each an "Escrow Agreement" and together the "Escrow Agreements"), each by and between the applicable District and Zions First National Bank, as escrow agent (the "Escrow Agent"). Amounts deposited under the Escrow Agreements will be held in an escrow fund and invested by the Escrow Agent in "Federal Securities" (as defined in the Escrow Agreement) consisting of United States Treasury Securities - State and Local Government Series (SLGS). The principal of and investment earnings on such deposits plus any available cash to be held uninvested, will be verified by Grant Thornton, Minneapolis, Minnesota (the "Verification Agent") to be sufficient to pay the principal of and interest on the applicable series of Prior CFD Bonds to and including March 1, 2012, at a prepayment price equal to the principal amount of such Prior CFD Bonds, plus accrued interest. As a result of the deposit and application of funds as provided for in each Escrow Agreement, assuming the accuracy of the computations used to make those deposits, the obligation to make payments of the principal of and interest on the applicable Prior CFD Bonds will be defeased as of the closing date. Upon issuance of the Bonds, the Verification Agent will verify the arithmetical accuracy of certain computations included in the schedules provided by the Underwriter and the Fiscal Agent for the Prior CFD Bonds relating to: (i) the adequacy of forecasted receipts of principal and interest on the governmental obligations and cash to be held pursuant to the applicable Escrow Agreement; (ii) forecasted payments of principal and interest with respect to the Prior CFD Bonds on and prior to their projected maturity or redemption date; and (iii) yields with respect to the CFD Refunding Bonds and on the governmental obligations to be deposited under the Escrow Agreement upon the issuance of the CFD Refunding Bonds. Such verification will be based solely upon information and assumptions supplied to the Verification Agent by the Underwriter and the Fiscal Agent for the Prior CFD Bonds.

#### 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:

Sources:	
Authority Bond Amount	\$34,615,000.00
Underwriter's Discount	(501,917.50)
Net Original Issue Discount	(298,227.75)
Funds Relating to Refunded Bonds	3,439,458.11
Total	\$37,254,312.86
Uses:	
Acquisition of CFD Refunding Bonds <sup>(1)</sup>	\$33,650,753.66
Reserve Fund <sup>(2)</sup>	3,226,656.26
Capitalized Interest Subaccount	64,664.02
Costs of Issuance <sup>(3)</sup>	312,238.92
Total	\$37,254,312.86

<sup>(1)</sup> A portion of the proceeds of each Series of CFD Refunding Bonds will be deposited by the applicable District in the respective Escrow Fund. See "- *CFD Refunding Bonds*" below.

<sup>(2)</sup> Initially, the Reserve Fund will be funded through proceeds of the Bonds. See the description of the sources and uses of each Series of CFD Refunding Bonds below for the contribution from each District.

(3) 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' CFD Refunding Bonds below.

Costs of issuance will be paid by the Authority and include legal fees, Bond Counsel fees, Underwriter's discount, the cost of the Special Tax Consultant fees, Assessed Value Analysis Consultant fees, Trustee fees, Fiscal Agent fees, printing costs and other costs associated with issuance of the Bonds and the CFD Refunding Bonds. Debt service on the CFD Refunding Bonds will be payable from special tax collections. See the applicable description of the uses of CFD Refunding Bonds below. See "SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund."

*CFD Refunding Bonds.* The proceeds received from the Authority for the sale of the CFD Refunding Bonds, together with certain Special Taxes previously collected, will be used to refund outstanding special tax bonds with respect to each respective Improvement Area, all as provided below:

	CFD No. 6	<b>CFD No. 10</b>	<b>CFD No. 10</b>	
	IA A	IA A	IA B	Total
Sources:				
CFD Refunding Bonds Principal	\$18,585,000.00	\$9,670,000.00	\$6,360,000.00	\$34,615,000.00
Amount				
Authority's Discount <sup>(1)</sup>	(527,789.83)	(261,353.07)	(175,103.44)	(964,246.34)
Total	\$18,057,210.17	\$9,408,646.93	\$6,184,896.56	\$33,650,753.66
Uses:				
Escrow Fund	\$18,057,210.17	\$9,408,646.93	\$6,184,896.56	\$33,650,753.66
Total	\$18,057,210.17	\$9,408,646.93	\$6,184,896.56	\$33,650,753.66

<sup>1</sup> Represents each District's proportionate share of a portion of (i) the Cost of Issuance, (ii) the Reserve Fund Requirement, (iii) capitalized interest, (iv) the Underwriter's discount with respect to the Authority Bonds, and (v) the original issue discount with respect to the Authority Bonds.

#### 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 CFD Refunding Bonds. The CFD Refunding Bonds are issued upon and primarily secured by certain Special Taxes levied against parcels of land within each applicable Improvement Area.

#### **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 inside cover hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 15 and September 15, commencing March 15, 2012 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside 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 G – "BOOK-ENTRY-ONLY PROVISIONS." So long as the Bonds are in book-entry only form, "Bond Owners" 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 first day of the calendar month of each interest payment date (whether or not such day is a business day).

#### Redemption

The Bonds 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, from any source of funds, on any Interest Payment Date on and after March 15, 2012, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest to the date of redemption:

Redemption Date	<b>Redemption Price</b>
Any Interest Payment Date through and including March 15, 2019	103%
September 15, 2019 and March 15, 2020	102
September 15, 2020 and March 15, 2021	101
September 15, 2021 and each Interest Payment Date thereas	fter 100

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 redemption of CFD Refunding Bonds from moneys derived by the District from any source or mandatory redemption of CFD Refunding Bonds from 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 as specified below:

Redemption Date	<b>Redemption Price</b>
Any Interest Payment Date through and including March 15, 2019	103%
September 15, 2019 and March 15, 2020	102
September 15, 2020 and March 15, 2021	101
September 15, 2021 and each Interest Payment Date therea	after 100

*Mandatory Sinking Payment Redemption.* The Bonds maturing on September 15, 2033, 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:

#### 2033 Term Bonds

Sinking Fund Redemption Date	Sinking Payments
2032	\$1,570,000
2033 (maturity)	1,695,000

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 G) 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<sup>®</sup> 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.

*Conditional Notice.* Any notice of optional redemption of the Bonds delivered in accordance with the Authority Indenture may be conditional; and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the Authority shall not be required to redeem such Bonds and the redemption shall not be made and the Authority Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

*Right to Rescind.* The Authority may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Redemption Account or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

*Effect of Notice of Redemption.* If on the date of 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 represented 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 with respect to 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, Los Angeles, California, has been appointed as the Trustee for the Bonds under the Authority Indenture. See APPENDIX D - "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, 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 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 G – "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 1Poway Unified School District Public Financing Authority2011 Special Tax Revenue Refunding BondsAnnual Debt Service Schedule

Year Ending			
(September 15)	Principal	Interest	Total
2012	\$945,000	\$1,367,134.17	\$2,312,134.17
2013	730,000	1,568,012.50	2,298,012.50
2014	795,000	1,555,237.50	2,350,237.50
2015	850,000	1,537,350.00	2,387,350.00
2016	925,000	1,513,975.00	2,438,975.00
2017	1,005,000	1,483,912.50	2,488,912.50
2018	1,095,000	1,449,993.76	2,544,993.76
2019	1,180,000	1,408,931.26	2,588,931.26
2020	1,275,000	1,361,731.26	2,636,731.26
2021	1,390,000	1,309,137.50	2,699,137.50
2022	1,500,000	1,248,325.00	2,748,325.00
2023	1,625,000	1,180,825.00	2,805,825.00
2024	1,760,000	1,105,668.76	2,865,668.76
2025	1,890,000	1,022,068.76	2,912,068.76
2026	2,060,000	927,568.76	2,987,568.76
2027	2,215,000	824,568.76	3,039,568.76
2028	2,380,000	713,818.76	3,093,818.76
2029	2,575,000	591,843.76	3,166,843.76
2030	2,770,000	456,656.26	3,226,656.26
2031	2,385,000	307,768.76	2,692,768.76
2032	1,570,000	179,575.00	1,749,575.00
2033	1,695,000	93,225.00	1,788,225.00
Total	\$34,615,000	\$23,207,328.03	\$57,822,328.03

#### 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, the Authority Administrative Expense Fund or the Rebate Fund. Revenues will be obtained primarily from all payments received by the Authority pursuant to the CFD Refunding 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, the Authority Administrative Expense Fund and the Rebate Fund.

The CFD Refunding Bonds are secured by a pledge of and lien on the Special Taxes with respect to the applicable Improvement Area, all as further described herein.

Each series of CFD Refunding Bonds are independent obligations and the security for one obligation does not constitute security for the other. The aggregate payments due on each of the CFD Refunding 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 CFD Refunding Bonds may result in insufficient Revenues with which to pay the principal of and interest on the Bonds when due.

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, THE AUTHORITY ADMINISTRATIVE EXPENSE FUND AND THE REBATE FUND. 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 SUBDIVISIONS 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 "BOND OWNERS' RISKS."

#### **Revenue Fund**

Flow of Funds. 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, all of the Revenues, and any other amounts held in any fund or account established pursuant to the Authority Indenture (excluding the Program Fund (including the Costs of Issuance Account therein), the Authority School Facilities Fund, the Administrative Expense 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. The Trustee shall transfer Revenues then in the Revenue Fund into the following funds and accounts on the following dates and in 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) On each Interest Payment Date, 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 amounts of interest previously due and unpaid. On any Interest Payment Date on which the amount on deposit in the Revenue Fund is inadequate to make the transfers described in this paragraph (a) as a result of a default in the scheduled payment of principal of and/or interest on a CFD Refunding Bond, the Trustee shall immediately notify the Superintendent of the amount of such payment default.
- (b) On each September 15, the Trustee shall 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. On any September 15 on which the amount on deposit in the Revenue Fund is inadequate to make the transfers described in this paragraph (b) as a result of a default in the scheduled payment of principal of and/or interest on a CFD Refunding Bond, the Trustee shall immediately notify the Superintendent of the amount of such payment default.
- (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) In the event that the Trustee receives all or any portion of the principal of and/or interest on the CFD Refunding Bond the payment of which is in default, the Trustee shall immediately disburse or transfer such funds in the following order of priority: (i) 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 (ii) for deposit in the Revenue Fund any amount remaining following the transfer required pursuant to (i).
- (e) On any September 15 after making the transfers and deposits in paragraph (a) through (d) above, 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) On any September 15 after making the transfers and deposits in paragraph (a) through (e) above, 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 each September 15 after making the transfers and deposits in paragraphs (a) through (f) above, the Trustee shall transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund.

*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 CFD Refunding 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 Bond 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 the least of (i) Maximum Annual Debt Service for the Bonds; (ii) 125% of Average Annual Debt Service for the Bonds, or (iii) 10% of the original principal amount of the Bonds; *provided, however*, that the Reserve Requirement shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code. Initially, the Reserve Requirement is equal to \$3,226,656.26.

On the Closing Date there shall be deposited in the Reserve Fund proceeds of the Bonds representing the Reserve Requirement as of such date. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust – Reserve Fund."

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.

#### **Surplus Fund**

Following the deposits pursuant to the Authority Indenture described above, moneys remaining in the Revenue Fund on each September 15 shall be deposited by the Trustee into the Surplus Fund. Additionally, any Residual Special Tax Revenues transferred by the Fiscal Agent pursuant to any CFD Indenture to the Trustee shall be deposited in the Surplus Fund immediately upon receipt thereof.

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 following any deposits required to be made pursuant to paragraphs (a) through (c) above, to the Authority 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 remaining on deposit in the Surplus Fund on September 16th of any Bond Year shall no longer be designated as Revenues, shall no longer be pledged to the payment of the Bonds and shall be transferred for or on behalf of the Districts in accordance with the Authority Indenture and used only for authorized purposes of the Districts.

#### **Ownership of CFD Refunding Bonds**

Notwithstanding anything in the Authority Indenture to the contrary, the Authority may cause the Trustee to sell, from time to time, all or a portion of the CFD Refunding 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 CFD Refunding Bond(s), the Revenues to be paid to the Trustee (assuming the timely payment of the amounts due thereon with regard to any CFD Refunding Bonds not then in default), together with interest and principal due on any Permitted Investments identified in Paragraph 1 of the term "Permitted Investments" 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; and
- (2) an opinion of Bond Counsel to the effect that such sale of the CFD Refunding 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 CFD Refunding 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 CFD Refunding Bonds

*General.* The CFD Refunding 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 CFD Bond Indenture.

The amount of Special Taxes that a District may levy in the boundaries of each Improvement Area 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 Improvement Area. Each District is legally authorized under the Act, and has covenanted in the applicable CFD Bond Indenture, to annually cause the levy of the Special Taxes in an amount determined according to the applicable Rate and Method. See "Special Taxes" below. Each Rate and Method apportions the total amount of Special Taxes to be collected among the

taxable parcels in the applicable Improvement Area 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 applicable Improvement Area are exempt from the tax rate limitations of California Constitution Article XIIIA 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 of Education (the "Board") and the qualified electors in the Improvement Area have approved. See "*Special Taxes*" below. However, Article XIIIC 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 "BOND OWNERS' RISKS – The CFD Refunding Bonds – *Right to Vote on Taxes*" and "BOND OWNERS' RISKS – The CFD Refunding Bonds – *Right to Vote on Taxes*." 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 CFD REFUNDING BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE CFD REFUNDING BONDS. THE CFD REFUNDING 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 CFD 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 applicable Improvement Area, as the then qualified electors of the District, at a special election held on the respective dates specified below. A notice of Special Taxes with respect to each Improvement Area Rate and Method and each District Rate and Method has been recorded in the Official Records of the County.

The CFD Refunding Bonds are secured by, among other things, a pledge of Net Special Tax Revenues. Net Special Tax Revenues include the scheduled payments for the CFD Refunding Bonds and any prepayments of Special Taxes received by each District with respect to the applicable Improvement Area 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 CFD Refunding Bonds and the Bonds, including the fees and costs of the Fiscal Agent and the Trustee.

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

The following tables provide information regarding the Fiscal Year 2011-12 Special Tax Levy with respect to each Improvement Area.

## Table 2Poway Unified School District Public Financing Authority2011 Special Tax Revenue Refunding BondsCombined Fiscal Year 2011-12 Special Tax Levy

CFD No./Improvement Area	Units Levied	Special Taxes Levied	FY 2011-12 Levy as Percent of Total <sup>(1)</sup>
CFD No. 6, Improvement Area A	564	\$1,436,556.80	49.83%
CFD No. 10, Improvement Area A	391	898,966.10	31.19
CFD No. 10, Improvement Area B	235	547,155.06	18.98
Total	1,190	\$2,882,677.96	100.00

<sup>(1)</sup>Totals may not sum due to round.

Source: Dolinka Group, LLC.

### Table 3Community Facilities District No. 6, Improvement Area Aof the Poway Unified School DistrictFiscal Year 2011-12 Special Tax Levy

Special Tax Class	FY 2011-12 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2011-12 Levy as Percent of Total <sup>(1)</sup>
1	\$627.14	0	\$0.00	0.00%
2	1,212.96	26	31,536.96	2.20
3	1,372.74	0	0.00	0.00
4	1,692.30	42	71,076.60	4.95
5	1,958.58	95	186,065.10	12.95
6	2,491.18	69	171,891.42	11.97
7	2,810.74	131	368,206.94	25.63
8	3,023.78	201	607,779.78	42.31
9	234.04	0	0.00	0.00
10	627.14	0	0.00	0.00
Total		564	\$1,436,556.80	100.00

<sup>(1)</sup> Totals may not sum due to round.

Source: Dolinka Group, LLC.

Special Tax Class	FY 2011-12 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2011-12 Levy as Percent of Total <sup>(1)</sup>
Zone 1				
1	\$2,512.82	26	\$65,333.32	7.27%
2	2,788.12	0	0.00	0.00
3	3,063.42	40	122,536.80	13.63
Zone 2				
4	1,686.92	24	40,486.08	4.50
5	1,962.20	18	35,319.60	3.93
6	2,145.76	50	107,288.00	11.93
7	2,421.06	57	138,000.42	15.35
8	2,604.58	3	7,813.74	0.87
9	2,971.68	108	320,941.44	35.70
Zone 3				
10	723.46	15	10,851.90	1.21
11	815.20	15	12,228.00	1.36
12	998.72	0	0.00	0.00
13	\$1,090.48	<u>35</u>	38,166.80	4.25
Total		391	\$898,966.10	100.00

# Table 4Community Facilities District No. 10, Improvement Area Aof the Poway Unified School DistrictFiscal Year 2011-12 Special Tax Levy

<sup>(1)</sup>Totals may not sum due to round.

Source: Dolinka Group, LLC.

## Table 5Community Facilities District No. 10, Improvement Area Bof the Poway Unified School DistrictFiscal Year 2011-12 Special Tax Levy

Special Tax Class	FY 2011-12 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2011-12 Levy as Percent of Total <sup>(1)</sup>
Zone 1				
1	\$3,008.46	1	\$3,008.46	0.55%
2	3,201.18	3	9,603.54	1.76
3	3,274.58	63	206,298.54	37.70
Zone 2				
4	1,668.64	0	0.00	0.00
5	1,953.14	3	5,859.42	1.07
6	2,118.30	68	144,044.40	26.33
Zone 3				
7	1,659.46	0	0.00	0.00
8	1,742.06	29	50,519.74	9.23
9	1,879.72	68	127,820.96	23.36
Total		235	\$547,155.06	100.00

<sup>(1)</sup>Totals may not sum due to round.

Source: Dolinka Group, LLC.

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 for each Improvement Area. See "BOND OWNERS' RISKS – The CFD Refunding 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 "BOND OWNERS' RISKS – The CFD Refunding 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 "BOND OWNERS' RISKS" herein.

The Special Taxes imposed by each District with respect to each applicable Improvement Area 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 applicable Special Tax Fund with respect to the applicable Series of CFD Refunding Bonds to be held first for the payment of Administrative Expenses up to the applicable Administrative Expense Requirement, then for payment of debt service on the applicable Series of CFD Refunding Bonds then to payment with respect to the Reserve Fund, then to payment with respect to a proportionate share of any rebate obligation, and then to payment of any Administrative Expenses in excess of the Administrative Expenses Requirement.

Although the Special Tax, when levied, will constitute a lien on parcels subject to taxation within each Improvement Area, it does not constitute a personal indebtedness of the owners of property within such Improvement Area. There is no assurance that the owners of real property in the applicable Improvement Area 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 "BOND OWNERS' RISKS" herein.

*Special Tax Fund.* Net Special Tax Revenues include all scheduled payments and prepaid Special Taxes received by each District with respect to the applicable Improvement Area 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.

No later than 10 business 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 under the applicable District Indenture and (except Special Tax Revenues representing prepayments of Special Taxes) from the applicable 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 aggregate amount on deposit in the Interest Account on each Interest Payment Date and date for redemption of the applicable CFD Refunding Bonds equals the amount of interest due or becoming due on such Interest Payment Date or to be paid on the applicable CFD Refunding 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 CFD Refunding Bonds coming payable on such Interest Payment Date.

After making the foregoing transfers, 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 to a deficiency in the amount of debt service received by the Authority on the CFD Refunding Bonds.

On September 2 of each year after making the deposits and transfers required above or after September 2, if funds become available after September 2, 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 with respect to the applicable Improvement Area of any Excess Authority 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 CFD 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.

If on September 2 of each year, or after September 2 if funds become available after September 2, after making the deposits and transfers required above, moneys remain on deposit in the Special Tax Fund ("Residual Special Tax Revenues"), the Fiscal Agent shall transfer such Residual Special Tax Revenues to the Authority for deposit in the Authority Surplus Fund.

To the extent that there are prepaid Special Taxes with respect to an Improvement Area, each District shall determine the portion attributable to the CFD Refunding Bonds and such amounts shall be used to redeem the applicable CFD Refunding Bonds.

Administrative Expense Fund. The Fiscal Agent will receive the transfer of Special Taxes with respect to an Improvement Area from the applicable 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 CFD 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 applicable CFD Refunding Bonds and will not be available for the payment of debt service on the applicable CFD Refunding Bonds.

The initial annual Administrative Expense Requirement for Fiscal Year 2011-12 under each CFD Bond Indenture ranges from \$17,230.29 to \$25,000.00.

Under the CFD Bond Indentures, the Administrative Expense Requirement may increase by 2% of the Administrative Expense Requirement in effect for the preceding fiscal year.

*Bond Service Fund.* The principal of and interest due on the CFD Refunding Bonds until maturity, including mandatory sinking fund redemption but excluding other redemptions of CFD Refunding Bonds, shall be paid by the Fiscal Agent from the Principal Account and the Interest Account of the applicable Bond Service Fund, respectively. For the purpose of assuring that the payment of principal and interest on the applicable CFD Refunding Bonds will be made when due, after making the transfer to the applicable Administrative Expense Fund, on each March 1 and September 1, commencing September 1, 2012, the Fiscal Agent will transfer amounts to pay interest and principal of the applicable CFD Refunding 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 applicable 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 CFD Refunding Bonds to be redeemed pursuant to the applicable 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 CFD Refunding Bonds will be used by the Authority to redeem the Bonds. See "THE BONDS – Redemption."

*District Payment to Authority Rebate Fund.* On or after September 2 of each year, the Fiscal Agent will transfer from the applicable Special Tax Fund to the Authority Trustee each District's proportionate share of the Excess Authority Rebate Obligations 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 a 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 \$7,500 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 \$15,000 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. The applicable 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 a District determines that it has collected less than 95% of the Special Taxes levied in such Fiscal Year in the applicable Improvement Area, then such 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) in the applicable Improvement Area. Such 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 "BOND OWNERS' RISKS – The CFD Refunding Bonds – *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 "BOND OWNERS' RISKS – The CFD Refunding 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 CFD Refunding 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 the 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 CFD Refunding Bonds, which default or delay may result in a default or delay in payments to the Bond Owners 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 for the applicable Improvement Area and the Act, each District may adjust the Special Taxes levied on all property within the applicable Improvement Area in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the applicable Series of CFD Refunding Bonds. 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 applicable Series of CFD Refunding Bonds by the applicable CFD Bond Indenture.

#### Transfer of Excess Net Special Tax Revenues to Authority Surplus Fund

It is currently anticipated that annual Net Special Tax Revenues available for debt service on the CFD Refunding Bonds will exceed the debt service on the CFD Refunding 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 CFD Refunding 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 deposit to the Authority Surplus Fund to be applied as provided in the Authority Indenture. See "THE BONDS – Estimated Debt Service Schedule" and "Estimated Scheduled CFD Refunding Bonds Debt Service" and "SOURCES OF PAYMENT FOR THE BONDS – Surplus Fund."

The Special Taxes levied to pay debt service on one series of CFD Refunding Bonds are not available to pay debt service on any other series of CFD Refunding Bonds. See "SOURCES OF PAYMENT FOR THE BONDS – The CFD Refunding Bonds" and "BOND OWNERS' RISKS."

#### **Authorized Investments**

Funds and accounts established under the Authority Indenture and each CFD 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 D – "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 CFD Refunding Bonds**

Subject to the satisfaction of the specific conditions set forth in the applicable CFD Bond Indenture, each District may at any time after the issuance and delivery of the CFD Refunding Bonds issue Parity Bonds (as defined in the applicable CFD Bond Indenture) to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all outstanding CFD Bonds following the issuance of such Parity Bonds. Such Parity Bonds will be 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 CFD Bond Indenture or under any Supplemental Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – CFD Bond Indentures – Issuance of Parity Bonds."

#### **No Acceleration**

The principal of the Bonds will not be subject to acceleration under the provisions of the Authority Indenture. The principal of the CFD Refunding Bonds will not be subject to acceleration under the provisions of the CFD Bond Indentures.

#### Sale of CFD Refunding 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 CFD Refunding Bonds and the proceeds of the sale of such CFD Refunding Bonds shall be disbursed to the Authority or, upon the request of the Authority, deposited in the Revenue Fund. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust – Covenants of the Authority – Sale of CFD Refunding Bonds."

#### **Estimated Scheduled CFD Refunding Bonds Debt Service**

Table 6 below illustrates that scheduled CFD Refunding Bonds debt service provides coverage for the debt service on the Bonds. Tables 7 through 9 below illustrate the estimated coverage of CFD Refunding Bonds debt service in relation to estimated Net Special Tax Revenues of each Improvement Area. Residual Special Tax Revenues (as defined in the CFD Indentures) for each year will be transferred to the Authority Trustee for deposit in the Authority Surplus Fund and will provide coverage of scheduled debt service on the Bonds. In the event of delinquencies in Special Tax payments received with respect to any Improvement Area, the estimated coverage ratio with respect to the CFD Refunding Bonds relating to such Improvement Area will not be achieved, but Residual Special Tax Revenues with respect to the other Improvement Areas will be available to pay principal of and interest on the Bonds and the other amounts as provided for in the Authority Indenture. Tables 7 through 9 assume there are no prepayments of any CFD Refunding Bonds or Bonds or delinquencies in the payment of Special Taxes. As set forth below in Tables 7 through 9, the expected debt service coverage from Developed Property on each series of CFD Refunding Bonds will be in excess of 110% based on (i) debt service on the CFD Refunding Bonds and (ii) Net Special Tax Revenues expected to be available in the related Improvement Area on September 2 of each year. See "THE BONDS - Estimated Debt Service Schedule" and "SOURCES OF PAYMENT FOR THE BONDS -Surplus Fund." See the tables entitled "Special Tax Delinquencies" under "THE DISTRICTS - Special Tax Delinquency" herein for information of historical Special Tax delinquencies in the Districts.

Period Ending (Sept 1)	CFD No. 6 IA A Refunding Bonds Debt Service	CFD No. 10 IA A Refunding Bonds Debt Service	CFD No. 10 IA B Refunding Bonds Debt Service	Aggregate CFD Debt Service	Authority Bonds Net Debt Service	Estimated Debt Service Coverage from CFD Refunding Bonds	Surplus Special Tax Transfer	Total Debt Service Coverage
2012	\$1,168,428.33	\$654,107.82	\$428,252.26	\$2,250,788.41	\$2,250,788.41	100.00%	\$570,319.71	125.34%
2013	1,193,400.00	664,781.26	439,831.26	2,298,012.52	2,298,012.52	100.00	580,017.76	125.24
2014	1,222,625.00	680,581.26	447,031.26	2,350,237.52	2,350,237.52	100.00	585,853.37	124.93
2015	1,239,412.50	694,731.26	453,206.26	2,387,350.02	2,387,350.02	100.00	607,962.69	125.47
2016	1,268,687.50	707,031.26	463,256.26	2,438,975.02	2,438,975.02	100.00	616,743.94	125.29
2017	1,294,712.50	722,281.26	471,918.76	2,488,912.52	2,488,912.52	100.00	628,420.82	125.25
2018	1,323,850.00	741,312.50	479,831.26	2,544,993.76	2,544,993.76	100.00	635,186.25	124.96
2019	1,344,537.50	748,000.00	496,393.76	2,588,931.26	2,588,931.26	100.00	655,352.35	125.31
2020	1,377,337.50	758,000.00	501,393.76	2,636,731.26	2,636,731.26	100.00	672,938.02	125.52
2021	1,402,175.00	781,500.00	515,462.50	2,699,137.50	2,699,137.50	100.00	677,225.16	125.09
2022	1,428,300.00	797,250.00	522,775.00	2,748,325.00	2,748,325.00	100.00	696,064.92	125.33
2023	1,461,125.00	810,875.00	533,825.00	2,805,825.00	2,805,825.00	100.00	707,952.72	125.23
2024	1,495,050.00	827,287.50	543,331.26	2,865,668.76	2,865,668.76	100.00	718,884.51	125.09
2025	1,519,675.00	841,162.50	551,231.26	2,912,068.76	2,912,068.76	100.00	744,675.58	125.57
2026	1,553,925.00	866,662.50	566,981.26	2,987,568.76	2,987,568.76	100.00	742,810.46	124.86
2027	1,584,175.00	879,412.50	575,981.26	3,039,568.76	3,039,568.76	100.00	765,918.05	125.20
2028	1,610,425.00	894,912.50	588,481.26	3,093,818.76	3,093,818.76	100.00	788,277.78	125.48
2029	1,651,231.26	911,987.50	603,625.00	3,166,843.76	3,166,843.76	100.00	793,394.71	125.05
2030	1,680,343.76	930,250.00	616,062.50	3,226,656.26	3,226,656.26	100.00	813,286.98	125.21
2031	1,712,781.26	574,293.76	405,693.76	2,692,768.78	2,692,768.78	100.00	1,428,473.33	153.05
2032	1,749,575.00	0.00	0.00	1,749,575.00	1,749,575.00	100.00	360,072.84	120.58
2033	1,788,225.00	0.00	0.00	1,788,225.00	1,788,225.00	100.00	364,115.79	120.36
Total	\$32,069,997.11	\$15,486,420.38	\$10,204,564.90	\$57,760,982.39	\$57,760,982.39		\$15,153,947.72	

## Table 6Poway Unified School District Public Financing AuthorityScheduled Annual Debt Service on CFD Refunding Bonds

## Table 7Poway Unified School District Public Financing AuthorityEstimated Debt Service Coverage on CFD No. 6 IA A Refunding Bonds

Year Ending Sept 1	Estimated Net Special Tax Revenues <sup>[1][2]</sup>	CFD No. 6 IA A Refunding Bonds Debt Service	Estimated Debt Service Coverage <sup>[2]</sup>
2012	\$1,411,556.80	\$1,168,428.33	120.81%
2013	1,440,287.94	1,193,400.00	120.69
2014	1,469,593.69	1,222,625.00	120.20
2015	1,499,485.57	1,239,412.50	120.98
2016	1,529,975.28	1,268,687.50	120.60
2017	1,561,074.79	1,294,712.50	120.57
2018	1,592,796.28	1,323,850.00	120.32
2019	1,625,152.21	1,344,537.50	120.87
2020	1,658,155.25	1,377,337.50	120.39
2021	1,691,818.36	1,402,175.00	120.66
2022	1,726,154.72	1,428,300.00	120.85
2023	1,761,177.82	1,461,125.00	120.54
2024	1,796,901.37	1,495,050.00	120.19
2025	1,833,339.40	1,519,675.00	120.64
2026	1,870,506.19	1,553,925.00	120.37
2027	1,908,416.31	1,584,175.00	120.47
2028	1,947,084.64	1,610,425.00	120.91
2029	1,986,526.33	1,651,231.26	120.31
2030	2,026,756.86	1,680,343.76	120.62
2031	2,067,792.00	1,712,781.26	120.73
2032	2,109,647.84	1,749,575.00	120.58
2033	2,152,340.79	1,788,225.00	120.36
Total	\$38,666,540.44	\$32,069,997.11	

<sup>[1]</sup> Assigned Special Tax levy, net of the annual Administrative Expense Requirement of \$25,000.00 in Fiscal Year 2011/2012.

<sup>[2]</sup> Assumes no further development activity beyond the parcels in CFD No. 6 IA A categorized as Developed Property as described in "THE DISTRICTS" below and no further issuance of Parity Bonds and no delinquencies. Actual levy would be adjusted for issuance of any Parity Bonds and any delinquencies in the payment of Special Taxes.

## Table 8Poway Unified School District Public Financing AuthorityEstimated Debt Service Coverage on CFD No. 10 IA A Refunding Bonds

Year Ending Sept 1	Estimated Net Special Tax Revenues <sup>[1][2]</sup>	CFD No. 10 IA A Refunding Bonds Debt Service	Estimated Debt Service Coverage <sup>[2]</sup>
2012	\$880,681.18	\$654,107.82	134.64%
2013	898,294.80	664,781.26	135.13
2014	916,260.70	680,581.26	134.63
2015	934,585.91	694,731.26	134.52
2016	953,277.63	707,031.26	134.83
2017	972,343.18	722,281.26	134.62
2018	991,790.05	741,312.50	133.79
2019	1,011,625.85	748,000.00	135.24
2020	1,031,858.37	758,000.00	136.13
2021	1,052,495.53	781,500.00	134.68
2022	1,073,545.44	797,250.00	134.66
2023	1,095,016.35	810,875.00	135.04
2024	1,116,916.68	827,287.50	135.01
2025	1,139,255.01	841,162.50	135.44
2026	1,162,040.11	866,662.50	134.08
2027	1,185,280.92	879,412.50	134.78
2028	1,208,986.53	894,912.50	135.10
2029	1,233,166.27	911,987.50	135.22
2030	1,257,829.59	930,250.00	135.21
2031	1,282,986.18	574,293.76	223.40
Total	\$21,398,236.31	\$15,486,420.38	

[1] Assigned Special Tax levy, net of the annual Administrative Expense Requirement of \$18,284.92 in Fiscal Year 2011/2012, and escalating at 2% each Fiscal Year thereafter.

[2] Assumes no further development activity beyond the parcels in CFD No. 10 IA A categorized as Developed Property as described in "THE DISTRICTS" below and no further issuance of Parity Bonds and no delinquencies. Actual levy would be adjusted for issuance of any Parity Bonds and any delinquencies in the payment of Special Taxes.

## Table 9Poway Unified School District Public Financing AuthorityEstimated Debt Service Coverage on CFD No. 10 IA B Refunding Bonds

Year Ending Sept 1	Estimated Net Special Tax Revenues <sup>[1][2]</sup>	CFD No. 10 IA B Refunding Bonds Debt Service	Estimated Debt Service Coverage <sup>[2]</sup>
2012	\$528,870.14	\$428,252.26	123.50%
2013	539,447.54	439,831.26	122.65
2014	550,236.49	447,031.26	123.09
2015	561,241.22	453,206.26	123.84
2016	572,466.05	463,256.26	123.57
2017	583,915.37	471,918.76	123.73
2018	595,593.68	479,831.26	124.13
2019	607,505.55	496,393.76	122.38
2020	619,655.66	501,393.76	123.59
2021	632,048.77	515,462.50	122.62
2022	644,689.75	522,775.00	123.32
2023	657,583.54	533,825.00	123.18
2024	670,735.22	543,331.26	123.45
2025	684,149.92	551,231.26	124.11
2026	697,832.92	566,981.26	123.08
2027	711,789.58	575,981.26	123.58
2028	726,025.37	588,481.26	123.37
2029	740,545.88	603,625.00	122.68
2030	755,356.79	616,062.50	122.61
2031	770,463.93	405,693.76	189.91
Total	\$12,850,153.37	\$10,204,564.90	

[1] Assigned Special Tax levy, net of the annual Administrative Expense Requirement of \$18,284.92 in Fiscal Year 2011/2012, and escalating at 2% each Fiscal Year thereafter.

[2] Assumes no further development activity beyond the parcels in CFD No. 10 IA B categorized as Developed Property as described in "THE DISTRICTS" below and no further issuance of Parity Bonds and no delinquencies. Actual levy would be adjusted for issuance of any Parity Bonds and any delinquencies in the payment of Special Taxes.

#### Levy of Special Taxes to Applicable Maximum Rates

The ability of a District to make annual debt service payments on its CFD Refunding Bonds is strengthened by its ability to levy Special Taxes up to its maximum rates in the event of delinquencies in the applicable Improvement Area. Generally, each District levies Special Taxes at the Assigned Special Tax rate on Developed Property. In the event that delinquencies occur in the receipt of Special Taxes, in any fiscal year, a District may increase the Special Tax levy with respect to the applicable Improvement Area up to the maximum rates in the following fiscal years if determined necessary to cure any delinquencies on the applicable CFD Refunding Bonds. There may be little or no difference between the Assigned Special Tax rate and the maximum rates where the property within an Improvement Area is all categorized as Developed Property. Each District is only obligated to pay principal and interest on the CFD Refunding Bonds it issues with respect to the applicable Improvement Area. If Special Taxes with respect to one Improvement Area are not received in the requisite amount, the Special Tax rate may be escalated only in that Improvement Area and not in the other Improvement Areas. Purchasers of the Bonds should not assume that maximum Special Taxes may be levied in all Improvement Areas 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 in an Improvement Area and "BOND OWNERS' RISKS – The CFD Refunding Bonds – Insufficiency of Special Taxes." In each Improvement Area, 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 with respect to an Improvement Area to cure delinquencies with respect to such Improvement Area is not available to cure delinquencies with respect to the other Improvement Areas.

#### 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 establish the Improvement Areas therein, to authorize the level of Special Taxes within the boundaries of the applicable Improvement Area (to pay principal of and interest on the CFD Refunding Bonds), to fund some of the facilities directly and to incur bonded indebtedness within the applicable Improvement Area.

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, and a resolution calling a special election to submit the levy of the Special Tax and the incurring of the bonded indebtedness to the qualified voters of each Improvement Area.

Under the Act, when less than twelve registered voters reside within the proposed boundaries of a communities 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. 6 and Improvement Area A.* The Community Facilities District was formed and established by the School District on March 24, 1998 pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* Of the California Government Code, the "Act"), following a public hearing. At a landowner election held on March 24, 1998 the qualified electors of the Community Facilities District, by more than a two-thirds vote, authorized the Community Facilities District to incur a bonded indebtedness of the Community Facilities District to finance the acquisition and construction of certain school facilities (defined above as the "School Facilities"). The qualified electors of the Community Facilities District authorized bonded indebtedness in the aggregate not-to-exceed principal amount of \$130,000,000 and approved the levy of annual special taxes (the "CFD No. 6 Special Tax (the "CFD No. 6 Rate and Method").

The owners of property within portions of the CFD No. 6 requested the School District to form three separate improvement areas (each an "Improvement Area") within a portion of CFD No. 6 and to authorize the issuance of bonds to finance road, water, sewer, drainage, fire station, park, public library, additional school facilities and other public facilities (the "Infrastructure Improvements") in the aggregate principal amount of \$62,000,000, such amount to be payable from special taxes levied pursuant to a separate rate and method of apportionment of special tax with respect to each Improvement Area within CFD No. 6. Each Improvement Area, including Improvement Area A of CFD No. 6, was formed and established by the School District on October 21, 2002 pursuant to the Act, following a public hearing.

At landowner elections held on October 21, 2002, the qualified electors of each Improvement Area, including Improvement Area A of CFD No. 6, by more than a two-thirds vote, authorized CFD No. 6 to incur a bonded indebtedness with respect to each Improvement Area of CFD No. 6 to finance the acquisition and construction of the Infrastructure Improvements. With respect to Improvement Area A of

CFD No. 6, the qualified electors of CFD No. 6 authorized bonded indebtedness in the aggregate not-toexceed principal amount of \$18,000,000 and approved the levy of annual special taxes (the "Special Taxes") in Improvement Area A of CFD No. 6. See Appendix B.

A portion of the costs of the Infrastructure Improvements will be financed through the levy of an annual Special Tax on Developed Property in Improvement Area A of CFD No. 6 as set forth in the "First Amended Rate and Method of Apportionment for Community Facilities District No. 6 of the Poway Unified School District (Improvement Area A)" (the "CFD No. 6 IA A Rate and Method"). CFD No. 6 uses such Special Taxes levied pursuant to the CFD No. 6 IA A Rate and Method and proceeds of the bonds previously issued for the acquisition, construction, rehabilitation and improvement of the Infrastructure Improvements. CFD No. 6 previously issued \$18,000,000 aggregate principal amount of bonds on December 18, 2002, of which \$17,530,000 were outstanding as of October 1, 2011 (defined above as the "2002 CFD No. 6 IA A Bonds"). The 2002 CFD No. 6 IA A Bonds are secured by and payable from the Special Tax levied pursuant to the CFD No. 6 IA A Rate and Method to finance the Infrastructure Improvements. The CFD Refunding Bonds with respect to Improvement Area A of CFD No. 6 will be used to refund the 2002 CFD No. 6 IA A Bonds. The CFD Refunding Bonds with respect to Improvement Area A of CFD No. 6 will not be secured by or payable from the Special Tax authorized to be levied within CFD No. 6 to finance the School Facilities.

*CFD No. 10.* CFD No. 10 and six (6) Improvement Areas therein designated as Improvement Area A through F inclusive, were formed and established by the School District on August 27, 2001 pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of the District authorized the issuance of bonds to finance School Facilities in the aggregate principal amount not to exceed \$45,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within CFD No. 10 (including each of the Improvement Areas). In addition, each Improvement Area of CFD No. 10, by more than a two-thirds vote, authorized CFD No. 10 to incur a separate bonded indebtedness with respect to each applicable Improvement Area to finance the acquisition of certain road improvements (the "City Facilities"). The qualified electors of each Improvement Area authorized bonded indebtedness in the aggregate not-to-exceed amounts as described in "THE FINANCING PLAN" and "APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS."

*Other Indebtedness.* Other indebtedness exists with respect to CFD No. 6 and CFD No. 10, including, as indicated above, bonds which have been issued by each Community Facilities District. See "Direct and Overlapping Debt" below.

#### **Location and Description**

*CFD No.* 6. CFD No. 6 is contiguous, and is generally located north and south of Camino Del Norte, approximately two miles west of Interstate 15, in the northern unincorporated portion of the County. CFD No. 6 lies within the area of the master-planned community known as "4S Ranch" and is part of the specific plan area known as "4S Ranch." CFD No. 6 is an extension of the on-going development of the community of Rancho Bernardo. CFD No. 6 is comprised of approximately 2,888 gross acres with approximately 4,715 residential units, commercial and industrial property and school sites. The area consists of rolling terrain with slopes and knolls. Within CFD No. 6 approximately 1,612 acres is designated as natural open space and approximately 195 acres is designated as managed open space for brush management and major internal slopes.

The property within CFD No. 6 is being developed in phases, which are referred to as Neighborhood One, Two, Three and Four. Improvement Area A is the area referred to as Neighborhood Two. Neighborhood Two is located south of Camino Del Norte and extends from west of 4S Ranch Parkway to east of Dove Canyon Road, consisting of approximately 141 net residential acres located in the southern portion of CFD No. 6. The neighborhood includes 565 Detached Units, approximately 23acre middle school and a 22-acre community park. Bernardo Center Drive/Carmel Valley Road passes through this Neighborhood. The central portion of Neighborhood Two includes the Lusardi Creek Natural Park, which is a major open-space corridor comprising approximately 161 gross acres. 565 detached units have been completed and sold in Neighborhood Two and are classified as Developed Property.

*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 of San Diego. 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. All 626 dwelling units have been completed and sold in Improvement Areas A and B and are classified as Developed Property, all of which are single-family detached homes. 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 a 123-unit affordable apartment complex, prepaid its Special Taxes in 2007.]

#### Assessed Value Analysis

An analysis of recent sales prices in relation to the assessed values of the completed homes within each Improvement Area, dated August 25, 2011 (the "Assessed Value Analysis"), was prepared by Stephen G. White, MAI of Fullerton, California (the "Assessed Value Analysis Consultant"), in connection with issuance of the Bonds. The purpose of the Assessed Value Analysis was to consider the total and average (per home) assessed value for each separate tract within the three Improvement Areas within the two Districts and to calculate the range and average of the percentage variance from recent sale prices to assessed value for homes where a closed or pending sale has occurred in 2011. The sales that have been considered include all closed sales since January 1, 2011 and current escrows/pending sales as of the August 15, 2011 date of value. The Assessed Value Analysis is based on certain assumptions set forth in APPENDIX C – "ASSESSED VALUE ANALYSIS" hereto.

The aggregate assessed values reported in the Assessed Value Analysis result in a range of negative and positive estimated percentage of variance of sales prices within the Improvement Areas to assessed values but with the average percentage variance of the sale price to the assessed value being positive for each Improvement Area ranging from 1.1% to 12.7%. See "THE DISTRICTS – Direct and Overlapping Debt" and "BOND OWNERS' RISKS – The CFD Refunding Bonds," " – Estimated Assessed property Values and Estimated Assessed Value-to-Lien Ratios" herein and APPENDIX C – "ASSESSED VALUE ANALYSIS" appended hereto for further information on the Assessed Value Analysis and for limiting conditions relating to the Assessed Value Analysis.

The District makes no representation as to the accuracy or completeness of the Assessed Value Analysis. See Appendix C hereto for more information relating to the Assessed Value Analysis.

#### Estimated Assessed Property Values and Estimated Assessed Value-to-Lien Ratios

The Fiscal Year 2011-12 assessed values of the property within each Improvement Area (excluding Exempt Property (as defined in the applicable Rate and Method) and parcels for which Special Taxes have been prepaid) were set forth below. 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 Improvement Area as a whole. All information in this section is based on the direct and overlapping debt report prepared in September 2011, as set forth in the tables below in the Section captioned "Direct and Overlapping Debt."

## Table 10Poway Unified School District Public Financing AuthorityEstimated Average Value-to-Lien of ParcelsSubject to Special Tax

	Number	FY 2011-12			Additional		Combined
	of	Special	<b>Total Estimated</b>	CFD Refunding	Land Secured		Value-to-
CFD No.	Parcels	Taxes <sup>(1)</sup>	Assessed Value <sup>(2)</sup>	Bonds <sup>(3)</sup>	Debt <sup>(4)</sup>	Total Lien	Lien <sup>(5)</sup>
CFD No. 6, Improvement Area A	564	\$1,436,557	\$460,084,468	\$18,585,000	\$18,746,134	\$37,331,134	12.32:1
CFD No. 10, Improvement Area A	391	898,966	261,810,630	9,670,000	12,612,176	22,282,176	11.75:1
CFD No. 10, Improvement Area B	235	547,155	165,415,520	6,360,000	7,923,156	14,283,156	11.58:1
Total <sup>(6)</sup>	1,190	\$2,882,678	\$887,310,618	\$34,615,000	\$39,281,466	\$73,896,466	12.01:1

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property as of May 1, 2011, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes Affordable Units, parcels classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Source: County Assessor's Roll dated January 1, 2011.

<sup>(3)</sup> Source: The Underwriter's October 19, 2011 analysis.

<sup>(4)</sup> Source: Detailed Direct and Overlapping Debt Report provided by California Municipal Statistics, Inc.; debt has been proportionately allocated to all parcels based on the Fiscal Year 2011-12 assessment and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

<sup>(5)</sup> Average value-to-lien per Lot; actual value-to-lien may vary by Lot.

<sup>(6)</sup> Total may not sum due to rounding.

Source: Dolinka Group, LLC.

See "- Direct and Overlapping Debt," and "BOND OWNERS' RISKS - The CFD Refunding Bonds - Assessed Values" herein for further information on the assessed value and for assumptions and limiting conditions relating to the assessed value.

#### Table 11 CFD No. 6 Improvement Area A **Combined Assessed Value and Value-to-Burden Ratio**

Value-to-Lien Category	Number of Parcels <sup>(1)</sup>	Combined Overlapping Liens <sup>(2)</sup>	2011-12 Taxable Property Assessed Value <sup>(3)</sup>	Combined Value-to- Burden Ratio	Fiscal Year 2011-12 Special Tax	Percentage Share of Special Tax
30:1 and above	0	\$0	\$0	NA	\$0	0.00%
20:1 to 30:1	6	449,066	9,622,724	21.43:1	18,143	1.26
15:1 to 20:1	45	3,331,721	56,524,345	16:97:1	133,727	9.31
10:1 to 15:1	508	33,235,287	391,846,898	11.79:1	1,272,977	88.61
7:1 to 10:1	3	192,000	1,755,067	9.14:1	7,261	0.51
5:1 to 7:1	0	0	0	NA	0	0.00
3:1 to 5:1	1	64,976	252,782	3.89:1	2,491	0.17
3.1 and below	1	58,085	82,652	1.42:1	1,959	0.14
Total <sup>(4)</sup>	564	\$37,331,134	\$460,084,468	12.32:1	\$1,436,557	100.00%

The Special Taxes shown here reflect Developed Property as of May 1, 2011, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes parcels classified as Exempt Property and parcels which have prepaid their Special Tax obligation. See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens include the 2011 (1) (2)

Revenue Refunding Bonds as well as general obligation bond indebtedness. (3)

Source: County Assessor's Roll dated January 1, 2011.

(4) Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

#### Table 12 CFD No. 10 Improvement Area A **Combined Assessed Value and Value-to-Burden Ratio**

Value-to-Lien Category	Number of Parcels <sup>(1)</sup>	Combined Overlapping Liens <sup>(2)</sup>	2011-12 Taxable Property Assessed Value <sup>(3)</sup>	Combined Value-to- Burden Ratio	Fiscal Year 2011-12 Special Tax	Percentage Share of Special Tax
30:1 and above	1	\$18,146	\$617,000	34.00:1	\$1,687	0.19%
20:1 to 30:1	17	483,200	11,586,282	23.98:1	44,920	5.00
15:1 to 20:1	4	187,193	3,030,604	16.19:1	7,941	0.88
10:1 to 15:1	334	19,457,592	226,333,188	11.63:1	756,010	84.10
7:1 to 10:1	33	2,004,146	19,476,128	9.72:1	82,465	9.17
5:1 to 7:1	1	65,949	446,624	6.77:1	2,972	0.33
3:1 to 5:1	1	65,949	320,804	4.86:1	2,972	0.33
3:1 and below	0	0	0	NA	0	0.00
Total <sup>(4)</sup>	391	\$22,282,176	\$261,810,630	11.75:1	\$898, 966	100.00%

The Special Taxes shown here reflect Developed Property as of May 1, 2011, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes parcels classified as Exempt Property and parcels which have prepaid their Special Tax obligation. See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens include the 2011 (1)

(2) Revenue Refunding Bonds as well as general obligation bond indebtedness.

(3) Source: County Assessor's Roll dated January 1, 2011.

(4) Totals may not sum due to rounding.

### Table 13CFD No. 10 Improvement Area BCombined Assessed Value and Value-to-Burden Ratio

Value-to-Lien Category	Number of Parcels <sup>(1)</sup>	Combined Overlapping Liens <sup>(2)</sup>	2011-12 Taxable Property Assessed Value <sup>(3)</sup>	Combined Value-to- Burden Ratio	Fiscal Year 2011-12 Special Tax	Percentage Share of Special Tax
30:1 and above	0	\$0	\$0	NA	\$0	0.00%
20:1 to 30:1	1	21,849	584,260	26.74:1	1,880	0.34
15:1 to 20:1	1	55,658	893,369	16.05:1	1,880	0.34
10:1 to 15:1	227	13,803,896	160,377,573	11.62:1	526,299	96.19
7:1 to 10:1	5	329,880	3,262,016	9.89:1	13,822	2.53
5:1 to 7:1	0	0	0	NA	0	0.00
3:1 to 5:1	1	71,872	298,302	4.15:1	3,275	0.60
3:1 and below	0	0	0	NA	0	0.00
Total <sup>(4)</sup>	235	\$14,283,156	\$165,415,520	11.58:1	\$547,155	100.00%

 (1) The Special Taxes shown here reflect Developed Property as of May 1, 2011, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes parcels classified as Exempt Property and parcels which have prepaid their Special Tax obligation.
 (2) See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens include the 2011

 See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens include the 2011 Revenue Refunding Bonds as well as general obligation bond indebtedness.
 See "Direct Control Control

<sup>(3)</sup> Source: County Assessor's Roll dated January 1, 2011.
 <sup>(4)</sup> Totals may not sum due to rounding.

<sup>(4)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

#### **Direct and Overlapping Debt**

Tables 14 through 16 below set forth the existing authorized indebtedness payable from taxes and assessments that may be levied within each Improvement Area prepared by California Municipal Statistics, Inc. and prepared in September 2011 (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 Improvement Area 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 Improvement Areas 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 Improvement Area is subject to special assessments, Special Taxes, and *ad valorem* property taxes. See "– Overlapping Assessment and Maintenance Districts" below. Of the lien amounts reflected on the following tables, only the Special Taxes, assessment levies and *ad valorem* property taxes relating to general obligation bonds are associated with any indebtedness.

The *ad valorem* tax rate for each parcel in the Improvement Areas varies. The tables below indicate average tax rates for Fiscal Year 2011-12 of 1.42% with respect to CFD No. 10, Improvement Area A to 1.76% with respect to Improvement Area No. 6, Improvement Area A. 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 Improvement Area 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 Improvement Areas 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 E hereto – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The overlapping debt report in Table 14 below includes the assessed value of all parcels within CFD No. 6 Improvement Area A. The difference in assessed value of \$775,798 from the previous CFD No. 6 Improvement Area A tables represents the assessed value of a prepaid parcel that is not subject to the CFD No. 6 Improvement Area A Annual Special Tax.

### Table 14 Community Facilities District No. 6, Improvement Area A Direct and Overlapping Debt Summary

#### 2011-12 Local Secured Assessed Valuation: \$460,860,266

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: Metropolitan Water District Palomar Community College District Poway Unified School District Community Facilities District No. 6 Poway Unified School District Community Facilities District No. 6, I.A. A Palomar Pomerado Health Systems Olivenhain Municipal Water District Assessment District No. 96-1 TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u>% Applicable</u> 0.026% 0.504 17.407 <b>100.</b> 0.738 2.788	$\frac{\text{Debt }9/1/11}{\$ 58,587}$ 1,617,986 19,062,406 <b>17,530,000</b> (1) 3,541,390 $\underline{450,262}$ $\$42,260,631$
OVERLAPPING GENERAL FUND DEBT: San Diego County General Fund Obligations San Diego County Pension Obligations San Diego County Superintendent of Schools Obligations Palomar Community College District General Fund Obligations Poway Unified School District General Fund Obligations TOTAL OVERLAPPING GENERAL FUND DEBT	0.134% 0.134 0.134 0.593 1.596	\$ 555,718 1,054,731 26,612 37,211 <u>555,152</u> \$2,229,424
COMBINED TOTAL DEBT		\$44,490,055 (2)

(1) Excludes Mello-Roos Act bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:	
Direct Debt (\$17,530,000)	3.80%
Total Direct and Overlapping Tax and Assessment Debt	
Combined Total Debt	9.65%

#### STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: California Municipal Statistics, Inc.

The overlapping debt report in Table 15 below includes the assessed value of all parcels within CFD No. 10 Improvement Area A. The difference in assessed value of \$172,682,277 from the previous CFD No. 10 Improvement Area A tables includes \$1,296,648 in assessed value for two (2) prepaid parcels and \$171,385,629 in assessed value for six (6) commercial parcels that are not subject to the CFD No. 10 Improvement Area A Annual Special Tax.

## Table 15 Community Facilities District No. 10, Improvement Area A Direct and Overlapping Debt Summary

2011-12 Local Secured Assessed Valuation: \$434,492,907

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: Metropolitan Water District Palomar Community College District Poway Unified School District Community Facilities District No. 10 Poway Unified School District Community Facilities District No. 10, I.A. A TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u>% Applicable</u> 0.024% 0.476 34.280 <b>100.</b>	$\frac{\text{Debt } 9/1/11}{\$ 54,080}$ $1,528,098$ $12,951,670$ $\underline{9,260,000}$ $(1)$ $\$23,793,848$
OVERLAPPING GENERAL FUND DEBT: San Diego County General Fund Obligations San Diego County Pension Obligations San Diego County Superintendent of Schools Obligations Palomar Community College District General Fund Obligations Poway Unified School District General Fund Obligations City of San Diego General Fund Obligations TOTAL OVERLAPPING GENERAL FUND DEBT	0.126% 0.126 0.559 1.505 0.269	\$ 522,541 991,762 25,024 35,077 523,499 <u>1,361,490</u> \$3,459,393
COMBINED TOTAL DEBT		\$27,253,241 (2)

(1) Excludes Mello-Roos Act bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Direct Debt (\$9,260,000)	2.13%
Total Direct and Overlapping Tax and Assessment Debt	
Combined Total Debt	

#### STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: California Municipal Statistics, Inc.

The overlapping debt report in Table 16 below includes the assessed value of all parcels within CFD No. 10 Improvement Area B. The difference in assessed value of \$23,418,820 from the previous CFD No. 10 Improvement Area B tables includes \$9,413,791 in assessed value for Affordable Units and \$14,005,029 in assessed value for two (2) commercial parcels that are not subject to the CFD No. 10 Improvement Area B Annual Special Tax.

## Table 16Community Facilities District No. 10, Improvement Area BDirect and Overlapping Debt Summary

#### 2011-12 Local Secured Assessed Valuation: \$188,834,340

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: Metropolitan Water District Palomar Community College District Poway Unified School District Community Facilities District No. 10 Poway Unified School District Community Facilities District No. 10, I.A. B TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u>% Applicable</u> 0.010% 0.207 21.535 <b>100.</b>	$\begin{array}{r} \underline{\text{Debt } 9/1/11} \\ \$ & 22,534 \\ & 664,530 \\ \$,136,354 \\ \underline{\textbf{6,005,000}} \\ \$14,828,418 \end{array} (1)$
OVERLAPPING GENERAL FUND DEBT: San Diego County General Fund Obligations San Diego County Pension Obligations San Diego County Superintendent of Schools Obligations Palomar Community College District General Fund Obligations Poway Unified School District General Fund Obligations City of San Diego General Fund Obligations TOTAL OVERLAPPING GENERAL FUND DEBT	0.055% 0.055 0.055 0.243 0.654 0.117	\$ 228,093 432,912 10,923 15,248 227,487 <u>592,172</u> \$1,506,835
COMBINED TOTAL DEBT		\$16,335,253 (2)

(1) Excludes Mello-Roos Act bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Direct Debt (\$6,005,000)	3.18%
Total Direct and Overlapping Tax and Assessment Debt	
Combined Total Debt	8.65%

#### STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: California Municipal Statistics, Inc.

The tables below set forth estimated Fiscal Year 2011-12 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 17Community Facilities District No. 6, Improvement Area Aof the Poway Unified School DistrictEstimated Fiscal Year 2011-12 Tax Rates(Single Family Detached Unit Containing 3,843 Building Square Feet)

Assessed Valuations and Property Taxes			
Assessed Value <sup>(1)</sup>	\$785,572		
Homeowner's Exemption	(7,000)		
Net Assessed Value <sup>(2)</sup>	\$778,572		
Ad Valorem Property Taxes		Percent of Total AV	Projected Amount
General Purposes		1.00000%	\$7,785.72
Ad Valorem Tax Overrides			
Palomar Pomerado Debt Service		0.02350	182.96
Palomar Community College Debt Service		0.01384	107.74
Metropolitan Water District Debt Service		0.00370	28.82
Total Ad Valorem Property Taxes		1.04104	\$8,105.24
Assessments, Special Taxes and Parcel Charges <sup>(3)(4)</sup>	)		
Poway Unified School District CFD No. 6, IA A			\$2,810.74
Poway Unified School District CFD No. 6			2,501.36
Olivenhain Municipal Water District Sanitation (45	Ranch)		723.00
County of San Diego CSA 83 Zone A Park Mainter	nance		109.06
Olivenhain Municipal Water District Assessment D	District No. 96-1		66.96
County of San Diego CSA 17 Emergency Ambular	nce Service		50.00
Rancho Santa Fe Fire District Special Tax			26.46
MWD Water Standby Charge			11.50
San Diego County CWA Water Availability Stand	by Charge		10.00
San Diego County Street Lighting Zone A			6.48
County of San Diego Mosquito/Disease Control			5.86
County of San Diego Mosquito/Rat Control			2.28
Total Assessments, Special Taxes and Parcel Charges			\$6,323.70
Total Property Taxes			\$14,428.94
Total Effective Tax Rate			1.84%

<sup>(1)</sup> Fiscal Year 2011-12 assessed valuation for a single family detached unit containing 3,843 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 6, Improvement Area A.

<sup>(2)</sup> Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption.

<sup>(3)</sup> All charges and special assessments are based on a Lot size of less than one (1) acre.

<sup>(4)</sup> This amount is based on Fiscal Year 2011-12 charges.

#### Table 18 **Community Facilities District No. 10, Improvement Area A** of the Poway Unified School District Estimated Fiscal Year 2011-12 Tax Rates (Developed Residential Unit Containing 2,757 Building Square Feet)

Assessed Valuations and Property Tax	es		
Assessed Value <sup>(1)</sup>	\$670,006		
Homeowner's Exemption	(7,000)		
Net Assessed Value <sup>(2)</sup>	\$663,006		
Ad Valorem Property Taxes		Percent of Total AV	Projected Amount
General Purposes		1.00000%	\$6,630.06
Ad Valorem Tax Overrides			
City of San Diego Debt Service		0.00500	33.16
Palomar Community College Debt Se	ervice	0.01384	91.75
Metropolitan Water District Debt Ser	vice	0.00370	24.53
Total Ad Valorem Property Taxes		1.02370	\$6,779.50
Assessments, Special Taxes and Parcel	Charges <sup>(3)(4)</sup>		
Poway Unified School District CFD	No. 10		\$2,215.76
Poway Unified School District CFD	No. 10, IA A		2,145.76
MWD Water Standby Charge			11.50
San Diego County CWA Water Avai Charge	lability Standby		10.00
County of San Diego Mosquito/Disea	se Control		5.86
County of San Diego Mosquito/Rat C	Control		3.00
Total Assessments, Special Taxes and Pa	rcel Charges		\$4,391.88
Total Property Taxes			\$11,171.38
Total Effective Tax Rate			1.67%

Fiscal Year 2011-12 assessed valuation for a developed residential unit containing 2,757 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 10, Improvement Area A. Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption. (1)

(2)

(3) All charges and special assessments are based on a Lot size of less than one (1) acre. This amount is based on Fiscal Year 2011-12 charges.

(4)

## Table 19Community Facilities District No. 10, Improvement Area Bof the Poway Unified School DistrictEstimated Fiscal Year 2011-12 Tax Rates(Developed Residential Unit Containing 3,348 Building Square Feet)

Assessed Valuations and Property Taxes			
Assessed Value <sup>(1)</sup>	\$701,904		
Homeowner's Exemption	(7,000)		
Net Assessed Value <sup>(2)</sup>	\$694,904		
Ad Valorem Property Taxes		Percent of Total AV	Projected Amount
General Purposes		1.00000%	\$6,949.04
Ad Valorem Tax Overrides			
City of San Diego Debt Service		0.00500	34.74
Palomar Community College Debt Servi	ce	0.01384	96.17
Metropolitan Water District Debt Service	e	0.00370	25.71
Total Ad Valorem Property Taxes		1.02370	\$7,105.66
Assessments, Special Taxes and Parcel Cl	harges <sup>(3)(4)</sup>		
Poway Unified School District CFD No.	10		\$2,227.20
Poway Unified School District CFD No.	10, IA B		2,118.30
MWD Water Standby Charge			11.50
San Diego County CWA Water Availabi	ility Standby Charge		10.00
County of San Diego Mosquito/Disease	Control		5.86
County of San Diego Mosquito/Rat Con-	trol		3.00
Total Assessments, Special Taxes and Parce	el Charges		\$4,375.86
Total Property Taxes			\$11,481.52
Total Effective Tax Rate			1.64%

<sup>(1)</sup> Fiscal Year 2011/2012 assessed valuation for a developed residential unit containing 3,348 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 10, Improvement Area B.
 <sup>(2)</sup> Nu A and A

(2) Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption.

<sup>(3)</sup> All charges and special assessments are based on a Lot size of less than one (1) acre.

<sup>(4)</sup> This amount is based on Fiscal Year 2011-12 charges.

Source: Dolinka Group, LLC.

#### **Overlapping Assessment and Maintenance Districts**

As indicated in the tables above, properties within each Improvement Area 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.

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 "BOND OWNERS' RISKS – The CFD Refunding Bonds – *Assessed Values*."

#### **Rates and Methods of Apportionment of Special Tax**

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

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

The foregoing Special Taxes with respect to each Improvement Area were levied on Developed Property as defined in the applicable Rate and Method with respect to each applicable Improvement Area. The homes have been sold to individual owners and, based on the assessed value, no taxpayer Special Tax levy in any Improvement Area exceeds 1%. Information regarding the Fiscal Year 2011-12 Special Tax levy is set forth above in Tables 2 to 5 in SOURCES OF PAYMENT FOR THE BONDS – "The CFD Refunding Bonds – *Special Taxes*."

*CFD No. 6 IA A Rate and Method.* The Board and the qualified elector of Improvement Area A of CFD No. 6 adopted and approved the CFD No. 6 IA A Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes. A copy of the CFD No. 6 IA A Rate and Method is included herein in Appendix B. In addition, the qualified electors within CFD No. 6 authorized a special tax within all of CFD No. 10 to finance School Facilities as set forth in Appendix B.

Special Taxes are payable until Fiscal Year 2036-37 with respect to Improvement Area A of CFD No. 6. All property within Improvement Area A of CFD No. 6 which is being taxed is classified as Developed Property.

The amount of Special Taxes estimated to be levied on parcels within each applicable Improvement Area of CFD No. 10 for Fiscal Year 2011-12 are set forth in "SOURCES OF PAYMENT FOR THE BONDS – *The CFD Refunding Bonds Rate and Method*" with the amount subject to escalation at 2% each year. Each applicable Improvement Area Rate and Method provides that the Special Tax will be levied at the maximum Special Tax that is applicable to each parcel.

\$1,439,367.54 of Special Taxes were levied on 565 parcels within Improvement Area A of CFD No. 6 for Fiscal Year 2011-12 which amount is expected to exceed debt service on the CFD No. 6 IA A Refunding Bonds and administrative expenses and be available to be applied as provided in the applicable CFD Bond Indenture and Authority Indenture. All of the foregoing Special Taxes are expected to be levied on Developed Property as defined in the CFD No. 6 IA A Rate and Method.

CFD No. 6 Improvement Area A Special Taxes may be prepaid by paying the prepayment amount minus an amount based on the amount of the applicable Series of CFD Refunding 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 applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the applicable CFD Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Series of CFD Refunding Bonds under the terms and conditions set forth in the applicable CFD Bond Indenture. See "SOURCES OF PAYMENT FOR THE BONDS – The CFD Refunding Bonds – *Redemption Fund*."

*CFD No. 10 Improvement Area A and B Rates and Methods.* The Board and the qualified electors of each respective Improvement Area of CFD No. 10 adopted and approved the applicable Rate and Method for each such Improvement Area for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. The Improvement Area Rate and Method authorizes a Special Tax to be levied to finance City facilities and other authorized facilities according to the applicable Improvement Area's Rate and Method. A copy of each Rate and Method for Improvement Areas A and B of CFD No. 10 is included herein in APPENDIX B. In addition, the qualified electors within CFD No. 10 authorized a special tax within all of CFD No. 10 to finance school facilities set forth in Appendix B.

The amount of Special Taxes estimated to be levied on parcels within each applicable Improvement Area of CFD No. 10 for Fiscal Year 2011-12 are set forth in "SOURCES OF PAYMENT FOR THE BONDS – *The CFD Refunding Bonds Rate and Method*" with the amount subject to escalation at 2% each year. Each applicable Improvement Area Rate and Method provides that the Special Tax will be levied at the maximum Special Tax that is applicable to each parcel.

Special Taxes within each Improvement Area may be financed for a specific period after the issuance of Bonds with respect to such Improvement Area of CFD No. 10: (i) Improvement Area A until Fiscal Year 2035-36; and (ii) Improvement Area B until Fiscal Year 2035-36.

Special Taxes with respect to each Improvement Area may be prepaid by paying an amount calculated based on a proportionate amount of the applicable 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 applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the applicable CFD Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Series of CFD Refunding Bonds under the terms and conditions set forth in the applicable CFD Bond Indenture. See "SOURCES OF PAYMENT FOR THE BONDS – The CFD Refunding Bonds – *Redemption Fund*."

#### **Special Tax Delinquency**

According to the Special Tax collection data provided by the County, as of June 30, 2011, delinquencies in the payment of Fiscal Year 2010-11 special taxes and *ad valorem* taxes for each Improvement Area of each Community Facilities District generally were lower than the reported delinquency levels for prior fiscal years.

Under each CFD 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 the applicable Improvement Area 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 an 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 CFD Refunding Bonds, which in turn could result in draws on the Reserve Fund held by the Trustee for the Bonds.

Although each Community Facilities District has covenanted under its respective CFD Bond Indenture to commence and diligently pursue foreclosure under certain circumstances (see "SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure"), foreclosure delays may occur due to bankruptcy of delinquent property owners and other circumstances (see "BOND OWNERS" 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 "BOND OWNERS' 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 2006-07 to and including Fiscal Year 2010-11.

## Table 20Poway Unified School DistrictPublic Financing AuthorityCommunity Facilities District No. 6, Improvement Area ASpecial Tax Delinquency History

	Subject Fiscal Year					August 25, 2011		
Fiscal Year Ending June 30	Aggregate Special Tax	Total Special Taxes Collected	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2007	\$1,145,802.12	\$1,119,690.71	14	\$26,111.41	2.28%	0	\$0.00	0.00%
2008	1,329,756.06	1,263,964.21	34	65,791.85	4.95	0	0.00	0.00
2009	1,356,350.02	1,303,695.59	27	52,654.43	3.88	1	1,143.00	0.08
2010	1,383,476.78	1,346,209.21	19	37,267.57	2.69	1	1,453.18	0.11
2011	1,411,149.26	1,403,279.86	5	7,869.40	0.56	5	7,869.40	0.56

<sup>(1)</sup> Reflects fiscal year delinquencies on or about June 30<sup>th</sup> of the applicable fiscal year.

Source: Dolinka Group, LLC.

## Table 21Poway Unified School DistrictPublic Financing AuthorityCommunity Facilities District No. 10, Improvement Area ASpecial Tax Delinquency History

Subject Fiscal Year					August 25, 2011			
Fiscal Year Ending June 30	Aggregate Special Tax	Total Special Taxes Collected	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2007	\$760,829.86	\$743,781.01	10	\$17,048.85	2.24%	0	\$0.00	0.00%
2008	776,048.06	748,418.62	13	27,629.44	3.56	0	0.00	0.00
2009	847,112.90	811,842.39	20	35,270.51	4.16	0	0.00	0.00
2010	864,056.48	836,722.10	12	27,334.38	3.16	0	0.00	0.00
2011	881,338.96	879,882.25	1	1,456.71	0.17	1	1,456.71	0.17

<sup>(1)</sup> Reflects fiscal year delinquencies on or about June 30<sup>th</sup> of the applicable fiscal year.

#### Table 22 **Poway Unified School District Public Financing Authority** Community Facilities District No. 10, Improvement Area B **Special Tax Delinquency History**

Subject Fiscal Year						August 25, 201	1	
Fiscal Year Ending June 30	Aggregate Special Tax	Total Special Taxes Collected	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2007	\$495,574.02	\$483,143.21	6	\$12,430.81	2.51%	0	\$0.00	0.00%
2008	505,485.56	484,430.69	12	21,054.87	4.17	1	1,956.98	0.39
2009	515,595.42	499,911.79	10	15,683.63	3.04	1	1,996.12	0.39
2010	525,907.38	516,071.16	7	9,836.22	1.87	3	3,957.42	0.75
2011	536,425.14	530,900.34	3	5,524.80	1.03	3	5,524.80	1.03

(1)

Reflects fiscal year delinquencies on or about June 30<sup>th</sup> of the applicable fiscal year. One APN is delinquent in the Fiscal Year 2005-06 Special Tax in the amount of \$834.56 creating a Remaining Delinquency Rate of 0.17%. (2)

Source: Dolinka Group, LLC.

#### **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 within 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.

#### **BOND OWNERS' 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 CFD Refunding 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 CFD Refunding 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 CFD Refunding 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 CFD Refunding 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 CFD 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 Bond Owners 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 CFD Refunding 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 CFD Refunding Bonds 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 Bond Owners pursuant to the applicable CFD 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 CFD Refunding 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 CFD 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).

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption. Future legislative proposals, if enacted into law, clarification of the Internal Revenue Code of 1986, as amended, or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. See, for example "CONCLUDING INFORMATION – American Jobs Act of 2011; Debt Reduction Act" for a description of legislative proposals which may affect the market price for, or marketability of, the Bonds.

The introduction or enactment of any such future legislative proposals, clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

*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 "-No Acceleration Provisions," and "- The CFD Refunding Bonds - Billing of Special Taxes" below.

*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 D – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS."

#### The CFD Refunding 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, fires 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 from approximately 2002 to 2006 but subsequently the housing market weakened substantially, with changes from the prior pattern of price appreciation and a slowdown in demand for new housing and declining prices. Since 2006, home developers, appraisers and market absorption consultants have reported 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) increasing mortgage defaults and foreclosures, (v) a growing supply of new and existing homes available for purchase; (vi) increase in competition for new homes orders; (vii) prospective home buyers having a more difficult time selling their existing homes in the more competitive environment; (viii) reduced sales prices and/or higher incentives required to stimulate new home orders or to induce home buyers not to cancel purchase contracts, (ix) more stringent credit qualification requirements by home loan providers and (x) increased unemployment levels. Any such factors may affect the willingness or ability of taxpayers to pay their Special Tax payment prior to delinquency.

*Economic Uncertainty.* The 2010 Bonds are being issued at a time of economic uncertainty and volatility. Unemployment rates have increased to approximately 6.4% for the Poway area as of September 2010 (not seasonally adjusted) as compared to 5.8% for calendar year 2009 and approximately 10.6% (not seasonally adjusted) for San Diego County as compared to 9.7% for calendar year 2009. The Community Facilities District cannot predict how long these conditions will last or whether to what extent they may affect the ability of homeowners to pay Special Taxes or the marketability of the Series 2010 Bonds.

The CFD Refunding Bonds are Limited Obligations of the Districts. The Districts have no obligation to pay principal of and interest on the CFD Refunding 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 CFD Refunding 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 Improvement Area. 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 CFD Refunding Bonds have been issued.

Assessed Value. Prospective purchasers of the Bonds should not assume that the land within an Improvement Area could be sold for the assessed amount described in this Official Statement at a foreclosure sale for delinquent Special Taxes. The assessed values summarized hereto estimates the fee simple interest assessed value of the property within each Improvement Area. This value is merely the amount of the assessed value in the records maintained by the County Assessor. While the Authority engaged the Assessed Value Analysis Consultant, an MAI appraiser, to analyze recent sales prices in

relation to assessed values, 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 an Improvement Area 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 – Estimated Assessed Property Values and Estimated Assessed Value-to-Lien Ratios."

*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 CFD Refunding Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the CFD Refunding Bonds. The CFD Refunding 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 CFD 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 Special Tax Lien for the territory included in each Improvement Area 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 home or parcel of land 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 CFD Refunding Bonds, it is necessary that the Special Taxes within each Improvement Area 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 CFD Refunding Bonds are derived, are customarily billed to the properties within the applicable Improvement Area 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 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 CFD Refunding Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the District of the proceeds of sales. 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 CFD 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 foreclosure 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. Bond Owners 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 Districts 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.

Payments by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies. The ability of a District to collect interest and penalties specified by State law and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), the Drug Enforcement Agency, the Internal Revenue Service or other similar federal governmental agencies has or obtains an interest.

Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "1991 Policy Statement"). The 1991 Policy Statement was revised and superseded by new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC

will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. With respect to property in California owned by the FDIC on January 9, 1997, and that was owned by the Resolution Trust Corporation ("RTC") on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The Authority and the Districts are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel within an Improvement Area in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that a District will be unable to collect Special Taxes or to foreclose on any parcel owned by the FDIC. Such an outcome could cause a default in payment on the Bonds. Based upon the secured tax roll as of January 1, 2011, the FDIC did not own any of the property in any Improvement Area within either District. The Authority and the Districts express no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Similarly, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution ("This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."), in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and a District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see "- Exempt Properties" and "- Insufficiency of Special Taxes" and below.

*Exempt Properties.* Certain parcels (primarily park sites and open space areas) are exempt from the Special Tax in accordance with each Rate and Method 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. 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 CFD Refunding 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 CFD Refunding Bonds. See "-*Right to Vote on Taxes Act*" below.

*Maximum Rates.* Within the limits of the each Rate and Method, each District may adjust the Special Tax levied on all property within the applicable Improvement Area to provide an amount required to pay debt service on its CFD Refunding Bonds and other obligations of the District, and to pay all of its annual Administrative Expenses, 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. There is no assurance that the maximum rates will at all times be sufficient to pay the amounts required to be paid by the CFD Bond Indentures. See "SOURCES OF PAYMENT FOR THE BONDS – The CFD Refunding Bonds" and "THE DISTRICTS – Rates and Methods of Apportionment of Special Tax."

*Insufficiency of Special Taxes.* Under each Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the applicable Improvement Area 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 XIIIA") to the California Constitution. Section 4 of Article XIIIA, 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. 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 XIIIA, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a "special tax" for purposes of Article XIIIA.

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 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 CFD Refunding Bonds is paid in a timely manner. Each District has covenanted in the applicable CFD 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 CFD Refunding 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 CFD Refunding 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 XIIIC ("Article XIIIC") and Article XIIID 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 as they may relate to community facilities districts are subject to interpretation by the courts.

Among other things, Section 3 of Article XIIIC 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, states that:

"Section 3 of Article XIIIC 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 CFD Refunding 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 CFD Refunding 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 CFD Refunding Bonds.

Like its antecedents, the Initiative is likely to undergo both judicial and legislative scrutiny before its impact on the Districts and its obligations can be determined. Certain provisions of the Initiative 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 CFD 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 the Initiative 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 the Initiative on the CFD Refunding 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 the Initiative.

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 CFD Refunding 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 CFD Refunding Bonds. On October 10, 2011, by the adoption of a resolution, the Authority authorized the execution of the Authority Indenture and the purchase of the CFD Refunding 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 CFD Refunding 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 CFD Refunding Bonds, or in any way contesting or affecting the validity of the Bonds or the CFD Refunding 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.

#### American Jobs Act of 2011; Debt Reduction Act

On September 12, 2011, President Obama submitted to Congress a legislative proposal, the "American Jobs Act of 2011" (the "Jobs Act"), containing a series of spending programs and tax incentives designed to stimulate jobs growth. To avoid adding to the deficit, the proposal includes a number of changes to the Code, including one that would reduce the tax value of all itemized deductions and targeted tax expenditures for high-income taxpayers in tax years commencing on or after January 1, 2013. The concept of "high-income taxpayers" generally captures taxpayers with adjusted gross income of \$250,000 or more for married couples filing jointly (or \$200,000 for single taxpayers). Among the targeted tax expenditures is interest on any bond excludable from gross income under Section 103 of the Code, whether the bond is outstanding on the enactment date of the proposed legislation or is issued thereafter, and would include interest on the Bonds. The American Jobs Act of 2011 failed to gain 60 votes in the Senate on October 11, 2011, in connection with a parliamentary procedure by which debate is ended and an immediate vote is taken on the matter under discussion. Portions of the Jobs Act may be introduced for a vote at a later date or dates. The week of September 26, 2011, President Obama submitted draft legislation to the congressional Deficit Reduction Committee entitled the "Debt Reduction Act of 2011" (the "Debt Reduction Act"). The Debt Reduction Act would require the Office of Management and Budget to establish steadily declining annual ratios for debt as a percentage of gross domestic product, effective for taxable years beginning on or after January 1, 2013. Under the proposal, if the ratios are not met, automatic cuts in spending and tax preferences, such as tax-exempt interest, would be triggered. Prospective purchasers should consult with their own tax advisors regarding the Jobs Act, the Debt Reduction Act, and any other pending or proposed federal income tax legislation. The likelihood of the Jobs Act or the Debt Reduction Act being enacted or whether the currently proposed terms of the Jobs Act or Debt Reduction Act will be altered or removed during the legislative process cannot be reliably predicted.

#### 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 CFD Refunding Bonds. The CFD Refunding Bonds are not general obligations of the Districts, but are limited obligations of the Districts, payable solely from proceeds of the Special Taxes of the applicable Improvement Area and proceeds of the CFD Refunding Bonds, including amounts in the Special Tax Fund and Bond Service Fund and investment income on funds held pursuant to the CFD 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 CFD Refunding 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 CFD Refunding 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 F. Bond Counsel's employment is limited to a review of legal procedures required for the approval of the Bonds and the CFD Refunding Bonds and to rendering an opinion as to the validity of the Bonds and the CFD Refunding Bonds and to rendering an opinion as to the validity of the Bonds and the CFD Refunding Bonds and the exemption of interest on the Bonds from income taxation. Certain legal matters will also be passed upon by McFarlin & Anderson LLP, Laguna Hills, 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.

#### **No Ratings**

The Bonds have not been rated by any securities rating agency.

#### Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus, Los Angeles, California, (the "Underwriter") at a purchase price of \$33,814,854.75 (which represents the principal amount of the Bonds of \$34,615,000.00, less the Net Original Issue Discount of \$298,227.75 and less the Underwriter's discount of \$501,917.50). 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 Best Best & Krieger LLP, as Bond Counsel, McFarlin & Anderson LLP, as Disclosure Counsel, the Underwriter, Nossaman LLP, as Underwriter's Counsel, and Zions First National Bank, as the Trustee and as the Fiscal Agent, are contingent upon the issuance of the Bonds. The fees of Dolinka Group, LLC, as Special Tax Consultant, are, in part, contingent upon the issuance of the Bonds. The fees of the Assessed Value Analysis Consultant are not contingent upon 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. 6 AND 10

By: /s/ John P. Collins

John P. Collins, Ed.D., 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. 6 and 10 of the Poway Unified School District [THIS PAGE INTENTIONALLY LEFT BLANK]

#### **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, 15250 Avenue of Science, San Diego, CA 92128-3406, Attention: Director of Planning. There may be a charge for copying, mailing and handling.

#### **General Information**

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California (the "State"). The School District was established in 1962. The School District provides education instruction for grades K-12 within an approximately 100 square mile area in the central portion of the County of San Diego (the "County") and includes the City of Poway and portions of the City and County, including the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Poway, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz and Torrey Highlands. The School District currently operates 25 elementary schools (K-5), six middle schools (6-8), five high schools (9-12) and one continuation high school. The School District's projected average daily attendance ("ADA") computed in accordance with State law for the 2011-12 academic year is approximately 33,054 (estimate). The estimated population within the School District's boundaries was approximately 67,963. The School District reported 34,135 students enrolled at the California Basic Educational Data System ("CBEDS") for Fiscal Year 2010-11 and estimates approximately 34,423 of students enrolled during Fiscal Year 2011-12.

#### **Administration and Enrollment**

The School District is governed by the Board of Education (the "Board"). 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 administrative staff of the School District includes John P. Collins, Ed. D., Superintendent, and Malliga Tholandi, Associate Superintendent, Business Support Services.

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 an Associate Superintendent of Learning Support Services and an Associate Superintendent of Personnel Support Services.

From Fiscal Year 2004-05 through Fiscal Year 2011-12 the School District's enrollment has been stable. The demographics of the School District reflect an increasing trend in elementary school population, stable trend in middle school population and slight decrease in high school population. Experience shows that the east side of the School District is nearly built out and west

and south areas are experiencing developments and new families. California voters approved Proposition 13 that not only limits the tax rate on property, but gives an incentive for owners to occupy longer resulting in slower turnover of homes to new families. This impacts the east side with declining enrollment. The School District however has offsetting growth on the west side. Information concerning enrollment for these years is set forth below:

Fiscal Year	CBEDS Enrollment	District Average Daily Attendance	District Base Revenue Limit
2006-07	32,873	31,817	5,527
2007-08	33,283	32,075	5,780
2008-09	33,305	32,366	6,110
2009-10	33,797	32,646	5,202
2010-11	34,135	33,046	5,207
2011-12	34,423*	33,054*	$5,225^{*}$

#### Poway Unified School District Student Enrollment

\*Estimated.

Source: California Department of Education and the School District.

#### **Labor Relations**

As of September 13, 2011, the School District employed approximately 1,698 certificated professionals and approximately 1,735 classified employees. The 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	1,474	6/30/12
Service Employees International Union	435	6/30/13
Poway Schools Employees Association	1,207	6/30/12

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 2006-07 was \$11,013,784, in Fiscal Year 2007-08 was \$11,588,843, in Fiscal Year 2008-09 was \$11,570,502, in Fiscal Year 2009-10 was \$10,272,133 and in Fiscal Year 2010-11 was \$9,706,048. The School District's contribution to STRS for Fiscal Year 2011-12 is estimated to be approximately \$9,897,938. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five 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 certificated employees who elect and all classified personnel who are

employed 1,000 or more hours per fiscal year. The School District's contribution to PERS for Fiscal Year 2006-07 was \$5,598,960, in Fiscal Year 2007-08 was \$6,158,527, in Fiscal Year 2008-09 was \$6,244,809, in Fiscal Year 2009-10 was \$5,929,446 and in Fiscal Year 2010-11 was \$6,380,309. The School District's contribution to PERS for Fiscal Year 2011-12 is estimated to be approximately \$5,727,734.

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 state-wide rates set by the STRS and PERS retirement boards. STRS has a substantial state-wide 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, 2007, was \$942,340, for the Fiscal Year ending June 30, 2008, was \$1,134,471, for the Fiscal Year ending June 30, 2009, was \$1,353,447, for the Fiscal Year ending June 30, 2010 was \$1,571,614 and for the Fiscal Year ending June 30, 2011 was \$2,256,489. The School District estimates that its contributions for these benefits will be approximately \$2,409,283 for Fiscal Year 2011-12. 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 exposure 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. Keenan & 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 \$5,000 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 membership in a joint powers authority, the Southern California Regional Liability Excess Fund ("SCR"). SCR provides general liability coverage up to \$25,000,000 per occurrence (minus the \$50,000 retention) and property loss coverage up to \$250,000,000 per occurrence (minus the \$5,000 retention). The relationship between the School District and SCR is such that SCR is not a component unit of the School District.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## **APPENDIX B**

# RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX

[THIS PAGE INTENTIONALLY LEFT BLANK]

# FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 6 OF THE POWAY UNIFIED SCHOOL DISTRICT (IMPROVEMENT AREA A)

An Annual Special Tax shall be levied on and collected in Improvement Area ("IA") A of Community Facilities District ("CFD") No. 6 of the Poway Unified School District ("School District") 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 IA A of CFD No. 6, 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 if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Subdivision Map, other 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 IA A of CFD No. 6.

**''Annual Special Tax''** means the Special Tax levied each Fiscal Year on an Assessor's Parcel as set forth in Section F. Prior to the issuance of Bonds, Annual Special Tax revenues shall be used entirely to fund Non-School Facilities. Each Fiscal Year after Bonds have been issued, the Annual Special Tax revenues shall be used in the following order of priority (i) to satisfy the Annual Special Tax Requirement and (ii) to fund School Facilities.

**''Annual Special Tax Requirement''** means the amount required in any Fiscal Year to pay: (i) the annual debt service on all outstanding Bonds, (ii) the Administrative Expenses of IA A of CFD No. 6, (iii) any 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, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

"Assessor's Parcel" means a Lot or parcel of land in IA A of CFD No. 6 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 D.

"Associate Superintendent" means the Associate Superintendent of Business Support Services of the School District or his/her designee.

"Attached Unit" means a Unit that 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.

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

"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 IA A of CFD No. 6 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 County.

"Calendar Year" means any period beginning January 1 and ending December 31.

"County" means the County of San Diego.

"Detached Unit" means a Unit which is not an Attached Unit.

**"Developed Property"** means all Assessor's Parcels of Taxable Property for which a building permit was issued on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels are associated with a Final Subdivision Map 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 Board.

"Exempt Property" means the property designated as Exempt Property in Section J.

**''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"** means any amount determined by reference to Table 2 and adjusted as set forth in Section G.

"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.

**''Maximum Special Tax''** means the maximum Special Tax, determined in accordance with Section C, which can be levied by IA A of CFD No. 6 on any Assessor's Parcel in any Fiscal Year.

"**Non-School Facilities**" means any infrastructure necessary to develop the Project owned or to be owned by a public agency other than the School District.

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

"**Project** " means 4S Ranch.

**''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.

"School Facilities" means any public facilities owned or to be owned by the School District.

"Special Tax" means any of the special taxes authorized to be levied in IA A of CFD No. 6 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 classified as 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 an Attached Unit or a Detached Unit.

## SECTION B ASSIGNMENT OF ASSESSOR'S PARCELS

For each Fiscal Year, beginning with Fiscal Year 2002-03, (i) each Assessor's Parcel shall be classified as Taxable Property or Exempt Property; (ii) each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property; (iii) each Assessor's Parcel of Developed Property shall be classified as a Detached Unit or an Attached Unit and (iv) each Detached Unit and Attached Unit shall be classified according to its Building Square Footage.

## SECTION C MAXIMUM SPECIAL TAX

#### 1. <u>Developed Property</u>

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax or (ii) the Backup Annual Special Tax.

## 2. <u>Undeveloped Property</u>

The Maximum Special Tax for any Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax.

## SECTION D ASSIGNED ANNUAL SPECIAL TAXES

#### 1. <u>Developed Property</u>

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2002-03 shall be the amount determined by reference to Table 1 below.

#### ASSIGNED ANNUAL SPECIAL TAX FOR DEVELOPED PROPERTY FISCAL YEAR 2002-03 **Assigned Annual** Building Unit Type **Square Footage Special Tax** <u><</u> 2,100 Detached Unit \$524.75 per Unit Detached Unit 2,101 - 2,400 \$1,014.96 per Unit Detached Unit 2,401 - 2,700 \$1,148.66 per Unit Detached Unit 2,701 - 3,000 \$1,416.05 per Unit Detached Unit 3,001 - 3,300 \$1,638.87 per Unit Detached Unit 3,301 - 3,600 \$2,084.52 per Unit Detached Unit 3,601 - 3,900 \$2,351.91 per Unit Detached Unit > 3,900 \$2,530.17 per Unit Attached Unit < 1,000\$195.84 per Unit Attached Unit > 1,000 \$524.75 per Unit

## TABLE 1

Each July 1, commencing July 1, 2003, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

## 2. <u>Undeveloped Property</u>

The Assigned Annual Special Tax for an Assessor's Parcel of Undeveloped Property for Fiscal Year 2002-03 shall be \$9,822.00 per acre of Acreage.

Each July 1, commencing July 1, 2003, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Undeveloped Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

## SECTION E BACKUP ANNUAL SPECIAL TAX

Each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax for Developed Property shall be the rate per Lot calculated according to the following formula:

$$B = (Z x A)) L$$

The terms above have the following meanings:

В	=	Backup Annual Special Tax per Lot for the applicable Fiscal Year
Ζ	=	Assigned Annual Special Tax per Acre of Undeveloped Property
		for the applicable Fiscal Year

L = Lots in the Final Subdivision Map

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

- 1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified Final Subdivision Map area prior to the change or modification.
- 2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision Map area, as reasonably determined by the Board.
- 3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Subdivision Map area for all remaining Fiscal Years in which the Special Tax may be levied.

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

Commencing Fiscal Year 2002-03, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in IA A of CFD No. 6 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

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

**Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second steps above is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is the Backup Annual Special Tax shall be increased Proportionately from the Assigned Annual Special Tax up to the Backup Annual Special Tax to satisfy the Annual Special Tax Requirement.

## SECTION G PREPAYMENT OF ANNUAL SPECIAL TAX

The property owner of any Final Subdivision Map where no building permits have been issued may prepay the entire Annual Special Tax obligation of IA A of CFD No. 6 for all Assessor's Parcels created by such Final Subdivision Map. In order to prepay the entire Annual Special Tax obligation of IA A of CFD No. 6 (i) there must be no delinquent Special Taxes, penalties, or interest charges outstanding with respect to any Assessor's Parcel in the Final Subdivision Map at the time the Annual Special Tax obligation is prepaid, (ii) prepayment for each Assessor's Parcel in the Final Subdivision Map shall be collected prior to the issuance of the first building permit in such Final Subdivision Map, and (iii) the Final Subdivision Map must ultimately contain at least 25 Detached Units or 50 Attached Units. The Prepayment Amount for an Assessor's Parcel in a Final Subdivision Map eligible for prepayment shall be determined as described below.

## 1. <u>Prior to Issuance of Bonds</u>

Prior to the issuance of Bonds, the Prepayment Amount in Fiscal Year 2002-03 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 shall be the amount determined by reference to Table 2.

GROSS PREPAYMENT AMOUNT FISCAL YEAR 2002-03		
Unit Type	Building Square Footage	Gross Prepayment Amount
Detached Unit	<u>&lt;</u> 2,100	\$5,982.24 per Unit
Detached Unit	2,101 - 2,400	\$11,570.82 per Unit
Detached Unit	2,401 - 2,700	\$13,094.98 per Unit
Detached Unit	2,701 - 3,000	\$16,143.30 per Unit
Detached Unit	3,001 - 3,300	\$18,683.57 per Unit
Detached Unit	3,301 - 3,600	\$23,764.10 per Unit
Detached Unit	3,601 - 3,900	\$26,812.70 per Unit
Detached Unit	> 3,900	\$28,844.63 per Unit
Attached Unit	< 1,000	\$2,232.63 per Unit
Attached Unit	> 1,000	\$5,982.24 per Unit

TABLE 2

Each July 1, commencing July 1, 2003, the Gross Prepayment Amount shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

#### 2. <u>Subsequent to Issuance of Bonds</u>

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
<b>Redemption Premium</b>
Defeasance
Administrative Fee
Reserve Fund Credit
Prepayment Amount

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

1. For each Assessor's Parcel of Developed Property, compute the Assigned Annual Special Tax and the Backup Annual Special Tax. For each Assessor's Parcel of Undeveloped Property, compute the Assigned Annual Special Tax and the Backup Annual Special Tax 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 Annual Special Tax obligation to be prepaid, (a) 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 buildout, as reasonably determined by the Associate Superintendent, and (b) divide the Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Backup Annual Special Tax applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Associate Superintendent.
- 3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Bonds. The product is the "Bond Redemption Amount."
- 4. 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."
- 5. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 9) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
- 6. 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.
- 7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance."
- 8. 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."
- 9. Assuming the reserve fund was funded by Bond proceeds, 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, the Reserve Fund Credit shall in no event be less than 0.

10. 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 Associate Superintendent shall indicate in the records of IA A of CFD No. 6 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 IA A of CFD No. 6, 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 Associate Superintendent.

# SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of an Assessor's Parcel 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 Subdivision Map area, the owner of no less than all the Taxable Property within such Final Subdivision 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 Subdivision Map area, as calculated in Section H.2. 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. <u>Partial Prepayment Amount</u>

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. <u>Partial Prepayment Procedures and Limitations</u>

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of IA A of CFD No. 6 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

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 allocable 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 Associate Superintendent.

## SECTION I TERMINATION OF SPECIAL TAX

The Annual Special Tax shall be levied for a term of thirty-three (33) Fiscal Years after the issuance of Bonds by IA A of CFD No. 6, but in no event shall the Annual Special Tax be levied after Fiscal Year 2040-41.

#### SECTION J EXEMPTIONS

The Associate 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, and (v) other types of Assessor's Parcels, at the reasonable discretion of the Associate Superintendent, provided that no such classification would reduce the Acreage of all Taxable Property to less than 126.90 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 126.90 acres of Acreage of all Taxable Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

#### 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 Associate Superintendent not later than one (1) Calendar Year after having paid the first installment of the Special Tax that is being disputed. The Associate Superintendent shall reasonably and promptly review the appeal, and if necessary, reasonably meet with the property owner, reasonably consider written and oral evidence regarding the amount of the Special Tax, and reasonably rule on the appeal. If the Associate Superintendent's decision reasonably requires that the Special Tax for an Assessor's Parcel be reasonably modified or reasonably 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 IA A of CFD No. 6 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

J:\CLIENTS\POWAY.USD\4S\_RANCH\IMP\_AREAS\IA\_A\_RMA\_FIRST\_AMENDED.DOC

[THIS PAGE INTENTIONALLY LEFT BLANK]

# RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 10 OF THE POWAY UNIFIED SCHOOL DISTRICT (IMPROVEMENT AREA A)

An Annual Special Tax shall be levied on and collected in Improvement Area A ("IA A") of 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 IA A of 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 IA A of CFD No. 10.

"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 each Fiscal Year on an Assessor's Parcel as set forth in Section F. In each Fiscal Year Annual Special Tax revenues shall be used in the following order of priority: (i) to satisfy the Annual Special Tax Requirement and (ii) to pay for the acquisition, construction, rehabilitation, and improvement of School Facilities.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service on all Non-School Bonds or other indebtedness or other periodic costs on the Non-School Bonds, (ii) the Administrative Expenses of IA A of CFD No. 10, (iii) any 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 Non-School Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

"Assessor's Parcel" means a lot or parcel of land in IA A of 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 D.

"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 an Affordable Unit or a Senior Citizen Unit.

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

"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 IA A 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, an Affordable Unit, or a Senior Citizen Unit.

"**Developed Property**" means all Assessor's Parcels for which building permits for the construction of Units were issued on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year 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 J.

"**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 3 and adjusted as set forth in Section G.

"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.

"Minimum Taxable Acreage" means, for any Zone, the applicable acreage listed in Table 4 below.

"Non-School Bonds" means any Bonds which are not School Bonds.

**"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.

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

"School Bonds" means any Bonds allocable to proceeds used or to be used to fund the acquisition, construction, rehabilitation, or improvement of School Facilities.

"School Facilities" means any public facilities owned or to be owned by the 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 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 in IA A of CFD No. 10 under the Act.

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

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

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

"Undeveloped Property" means all Assessor's Parcels 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 any 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.

"Zone 3" means all property located within the area identified as Zone 3 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 Developed Property or Undeveloped Property; (ii) each Assessor's Parcel of Developed Property shall be classified as Taxable Developed Property or Exempt Property; (iii) each Assessor's Parcel of Undeveloped Property shall be classified as Taxable Undeveloped Property or Exempt Property; and (iv) each Assessor's Parcel shall be assigned to a Zone in accordance with Exhibit A.

## SECTION C MAXIMUM SPECIAL TAX

## 1. <u>Taxable Developed Property</u>

The Maximum Special Tax for each Assessor's Parcel classified as Taxable Developed Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax or (ii) the Backup Annual Special Tax.

## 2. <u>Taxable Undeveloped Property</u>

The Maximum Special Tax for any Assessor's Parcel classified as Taxable Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax.

# SECTION D ASSIGNED ANNUAL SPECIAL TAXES

#### 1. <u>Taxable Developed Property</u>

The Assigned Annual Special Tax for each Assessor's Parcel of Taxable Developed Property in Fiscal Year 2001-02 shall be the amount determined by reference to Table 1 below. No Assigned Annual Special Tax shall apply to Affordable Units or Senior Citizen Units.

# TABLE 1

ASSIGNED ANNUAL SPECIAL TAX FOR TAXABLE DEVELOPED PROPERTY FOR FISCAL YEAR 2001-02		
Zone	Building Square Feet	Assigned Annual Special Tax <sup>1</sup>
1	<= 3,000	\$2,061.39 per Detached/Attached Unit
1	3,001 - 3,300	\$2,287.23 per Detached/Attached Unit
1	> 3,300	\$2,513.08 per Detached/Attached Unit
2	<= 2,400	\$1,383.85 per Detached/Attached Unit
2	2,401 - 2,600	\$1,609.70 per Detached/Attached Unit
2	2,601 - 2,800	\$1,760.26 per Detached/Attached Unit
2	2,801 - 3,100	\$1,986.11 per Detached/Attached Unit
2	3,101 – 3,400	\$2,136.67 per Detached/Attached Unit
2	> 3,400	\$2,437.80 per Detached/Attached Unit
3	<= 1,700	\$593.47 per Detached/Attached Unit
3	1,701 - 1,850	\$668.75 per Detached/Attached Unit
3	1,851 – 2,000	\$819.31 per Detached/Attached Unit
3	> 2,000	\$894.59 per Detached/Attached Unit
1. No Assigned Annual Special Tax shall apply to Affordable Units or Senior Citizen Units.		

Each July 1, commencing July 1, 2002, the Assigned Annual Special Tax for each Assessor's Parcel of Taxable Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

# 2. <u>Taxable Undeveloped Property</u>

The Assigned Annual Special Tax for an Assessor's Parcel of Taxable Undeveloped Property in Fiscal Year 2001-02 shall be the amount determined by reference to Table 2.

April 10, 2001

## TABLE 2

ASSIGNED ANNUAL SPECIAL TAX FOR TAXABLE UNDEVELOPED PROPERTY FOR FISCAL YEAR 2001-02	
Zone	Assigned Annual Special Tax
Zone 1	\$10,027.10 per Acre
Zone 2	\$16,354.07 per Acre
Zone 3	\$5,786.40 per Acre

On each July 1, commencing July 1, 2002, the Assigned Annual Special Tax per Acre for each Zone shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

## SECTION E BACKUP ANNUAL SPECIAL TAX

Each Fiscal Year, each Assessor's Parcel of Taxable Developed Property shall be subject to a Backup Annual Special Tax. In each Fiscal Year, the Backup Annual Special Tax rate for Taxable Developed Property shall be the rate per Lot calculated according to the following formula:

$$\mathsf{B} = (\mathsf{Z} \times \mathsf{A}) \div \mathsf{L}$$

The terms above have the following meanings:

- B = Backup Annual Special Tax per Lot for the applicable Fiscal Year
- Z = Assigned Annual Special Tax per Acre of Taxable Undeveloped Property for the applicable Zone for the applicable Fiscal Year
- A = Acreage of Taxable Developed Property expected to exist in the applicable Final Subdivision Map at buildout, as determined by the Assistant Superintendent pursuant to Section J
- L = Lots in the Final Subdivision Map

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

- 1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified Final Subdivision Map area prior to the change or modification.
- 2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision Map area, as reasonably determined by the Board.
- 3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Subdivision Map area for all remaining Fiscal Years in which the Special Tax may be levied.

# 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 determine the Annual Special Tax Requirement to be collected in IA A of CFD No. 10 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

**First:** The Annual Special Tax shall be levied on each Assessor's Parcel of Taxable Developed Property at the Assigned Annual 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 Proportionately on each Assessor's Parcel of Taxable Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

**Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second steps above is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Taxable Developed Property whose Maximum Special Tax is the Backup Annual Special Tax shall be increased Proportionately from the Assigned Annual Special Tax up to the Backup Annual Special Tax to satisfy the Annual Special Tax Requirement.

# SECTION G PREPAYMENT OF ANNUAL SPECIAL TAX

The Annual Special Tax obligation of an Assessor's Parcel of Taxable Developed Property or an Assessor's Parcel of Taxable 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. <u>Prior to Issuance of Non-School Bonds</u>

Prior to the issuance of Non-School 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 3.

GROSS PREPAYMENT AMOUNT FOR MAY 1, 2001 TO APRIL 30, 2002		
Zone	Building Square Feet	Assigned Annual Special Tax <sup>1</sup>
1	<= 3,000	\$22,830.62 per Detached/Attached Unit
1	3,001 - 3,300	\$25,331.95 per Detached/Attached Unit
1	> 3,300	\$27,833.27 per Detached/Attached Unit
2	<= 2,400	\$19,508.20 per Detached/Attached Unit
2	2,401 - 2,600	\$19,508.20 per Detached/Attached Unit
2	2,601 - 2,800	\$19,508.20 per Detached/Attached Unit
2	2,801 - 3,100	\$21,996.84 per Detached/Attached Unit
2	3,101 – 3,400	\$23,664.40 per Detached/Attached Unit
2	> 3,400	\$26,999.50 per Detached/Attached Unit
3	<= 1,700	\$19,508.20 per Detached/Attached Unit
3	1,701 - 1,850	\$19,508.20 per Detached/Attached Unit
3	1,851 - 2,000	\$19,508.20 per Detached/Attached Unit
3	> 2,000	\$19,508.20 per Detached/Attached Unit
1. No Assigned Annual Special Tax shall apply to Affordable Units or Senior Citizen Units.		

# TABLE 3

On each May 1, commencing May 1, 2002, the Gross Prepayment Amount for each Unit shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that the Gross Prepayment Amount applicable to a Unit shall not increase after the issuance of the building permit for such Unit.

#### 2. <u>Subsequent to Issuance of Non-School Bonds</u>

Subsequent to the issuance of Non-School 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	<b>Redemption Premium</b>
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. For each Assessor's Parcel of Taxable Developed Property, compute the Assigned Annual Special Tax and the Backup Annual Special Tax. For each Assessor's Parcel of Taxable Undeveloped Property, compute the Assigned Annual Special Tax and the Backup Annual Special Tax applicable to the Assessor's Parcel as though it was already designated as Taxable Developed Property, based upon the building permit issued for that Assessor's Parcel.
- 2. For each Annual Special Tax obligation to be prepaid, (a) 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 Taxable Developed Property at buildout, as reasonably determined by the Assistant Superintendent, and (b) divide the Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Backup Annual Special Tax applicable to all Assessor's Parcels of Taxable Developed Property at buildout, as reasonably determined by the Assistant Superintendent, and (b) divide the Backup Annual Special Tax computed Property at buildout, as reasonably determined by the Assistant Superintendent.
- 3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Non-School Bonds. The product is the "Bond Redemption Amount."

- 4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Non-School Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
- 5. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 9) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Non-School Bonds.
- 6. 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 Non-School Bonds.
- 7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance."
- 8. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Non-School Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
- 9. 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 Non-School 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 Non-School 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.
- 10. 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 IA A 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 IA A of 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 Non-School Bonds in each future Fiscal Year, as reasonably determined by the Assistant Superintendent.

## SECTION H PARTIAL PREPAYMENT OF SPECIAL TAX

Prior to the issuance of a building permit for the construction of a production Unit on a Lot within a Final Subdivision Map area, the owner of no less than the entire Final Subdivision Map area may elect to prepay any portion of the applicable Annual Special Tax obligations for all of the Assessor's Parcels within such Final Subdivision Map area. In order to prepay any portion of the applicable Annual Special Tax obligations, the residential Final Subdivision Map area must contain at least 25 Detached Units or 50 Attached Units. The partial prepayment of each Annual Special Tax obligations with respect to model Units for which building permits have already been issued must be partially prepaid at the time of the election. The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

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.

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.

With respect to any Assessor's Parcel's Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall indicate in the records of IA A of CFD No. 10 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, to indicate the partial prepayment of 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. 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.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Tax that may be levied in IA A of 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 Non-School Bonds in each future Fiscal Year, as reasonably determined by the Assistant Superintendent.

# SECTION I TERMINATION OF SPECIAL TAX

The Annual Special Tax shall be levied for a term of thirty-four (34) Fiscal Years after the issuance of Non-School Bonds by IA A of CFD No. 10, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

#### SECTION J 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, (v) Assessor's Parcels for which building permits were issued on or before May 1 of the prior Fiscal Year for the construction of Affordable Units and/or Senior Citizen Units exclusively, (vi) Assessor's Parcels for which building permits were issued on or before May 1 of the prior Fiscal Year for the construction of GFA and Assessor's Parcels which directly service such Assessor's Parcels, such as parking lots, as reasonably determined by the Assistant Superintendent, and (vii) other types of Assessor's Parcels, at the reasonable discretion of the Assistant Superintendent, provided that no such classification would reduce the Acreage of all Taxable Property in any Zone to less than the Minimum Taxable Acreage for such Zone. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property in a Zone to less than the Minimum Taxable Acreage for such Zone will continue to be classified as Taxable Developed Property or Taxable Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

MINIMUM TAXABLE ACREAGE		
Minimum		
Zone	Taxable Acreage	
Zone 1	15.10	
Zone 2	27.14	
Zone 3	8.54	

# TABLE 4

# SECTION K 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 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 IA A of CFD No. 10 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

J:\CLIENTS\POWAY.USD\SUBAREA4\RESTRUCTURE\IAA\_RMA5.DOC

# RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 10 OF THE POWAY UNIFIED SCHOOL DISTRICT (IMPROVEMENT AREA B)

An Annual Special Tax shall be levied on and collected in Improvement Area B ("IA B") of 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 IA B of 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 IA B of CFD No. 10.

"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 each Fiscal Year on an Assessor's Parcel as set forth in Section F. In each Fiscal Year Annual Special Tax revenues shall be used in the following order of priority: (i) to satisfy the Annual Special Tax Requirement and (ii) to pay for the acquisition, construction, rehabilitation, and improvement of School Facilities.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service on all Non-School Bonds or other indebtedness or other periodic costs on the Non-School Bonds, (ii) the Administrative Expenses of IA B of CFD No. 10, (iii) any 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 Non-School Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

"Assessor's Parcel" means a lot or parcel of land in IA B of 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 D.

"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 an Affordable Unit or a Senior Citizen Unit.

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

"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 IA B 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, an Affordable Unit, or a Senior Citizen Unit.

"**Developed Property**" means all Assessor's Parcels for which building permits for the construction of Units were issued on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year 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 J.

"**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 3 and adjusted as set forth in Section G.

"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.

"Minimum Taxable Acreage" means, for any Zone, the applicable acreage listed in Table 4 below.

"Non-School Bonds" means any Bonds which are not School Bonds.

**"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.

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

"School Bonds" means any Bonds allocable to proceeds used or to be used to fund the acquisition, construction, rehabilitation, or improvement of School Facilities.

"School Facilities" means any public facilities owned or to be owned by the 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 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 in IA B of CFD No. 10 under the Act.

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

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

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

"Undeveloped Property" means all Assessor's Parcels 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 any 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.

"Zone 3" means all property located within the area identified as Zone 3 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 Developed Property or Undeveloped Property; (ii) each Assessor's Parcel of Developed Property shall be classified as Taxable Developed Property or Exempt Property; (iii) each Assessor's Parcel of Undeveloped Property shall be classified as Taxable Undeveloped Property or Exempt Property; and (iv) each Assessor's Parcel shall be assigned to a Zone in accordance with Exhibit A.

# SECTION C MAXIMUM SPECIAL TAX

#### 1. <u>Taxable Developed Property</u>

The Maximum Special Tax for each Assessor's Parcel classified as Taxable Developed Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax or (ii) the Backup Annual Special Tax.

#### 2. <u>Taxable Undeveloped Property</u>

The Maximum Special Tax for any Assessor's Parcel classified as Taxable Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax.

## SECTION D ASSIGNED ANNUAL SPECIAL TAXES

#### 1. <u>Taxable Developed Property</u>

The Assigned Annual Special Tax for each Assessor's Parcel of Taxable Developed Property in Fiscal Year 2001-02 shall be the amount determined by reference to Table 1 below. No Assigned Annual Special Tax shall apply to Affordable Units or Senior Citizen Units.

ASSIGNED ANNUAL SPECIAL TAX FOR TAXABLE DEVELOPED PROPERTY FOR FISCAL YEAR 2001-02		
Zone	Building Square Feet	Assigned Annual Special Tax <sup>1</sup>
1	<= 3,600	\$2,467.99 per Detached/Attached Unit
1	3,601 - 3,900	\$2,626.08 per Detached/Attached Unit
1	> 3,900	\$2,686.30 per Detached/Attached Unit
2	<= 2,600	\$1,368.87 per Detached/Attached Unit
2	2,601 - 3,000	\$1,602.24 per Detached/Attached Unit
2	> 3,000	\$1,737.75 per Detached/Attached Unit
3	<= 2,450	\$1,361.34 per Detached/Attached Unit
3	2,451 - 2,650	\$1,429.10 per Detached/Attached Unit
3	> 2,650	\$1,542.02 per Detached/Attached Unit
1. No Assigned Annual Special Tax shall apply to Affordable Units or Senior Citizen Units.		

## TABLE 1

Each July 1, commencing July 1, 2002, the Assigned Annual Special Tax for each Assessor's Parcel of Taxable Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

#### 2. <u>Taxable Undeveloped Property</u>

The Assigned Annual Special Tax for an Assessor's Parcel of Taxable Undeveloped Property in Fiscal Year 2001-02 shall be the amount determined by reference to Table 2.

April 10, 2001

## TABLE 2

ASSIGNED ANNUAL SPECIAL TAX FOR TAXABLE UNDEVELOPED PROPERTY FOR FISCAL YEAR 2001-02		
Assigned Annual		
Zone	Special Tax	
Zone 1	\$12,394.06 per Acre	
Zone 2	\$11,623.36 per Acre	
Zone 3	\$10,354.94 per Acre	

On each July 1, commencing July 1, 2002, the Assigned Annual Special Tax per Acre for each Zone shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

## SECTION E BACKUP ANNUAL SPECIAL TAX

Each Fiscal Year, each Assessor's Parcel of Taxable Developed Property shall be subject to a Backup Annual Special Tax. In each Fiscal Year, the Backup Annual Special Tax rate for Taxable Developed Property shall be the rate per Lot calculated according to the following formula:

$$\mathbf{B} = (\mathbf{Z} \times \mathbf{A}) \div \mathbf{L}$$

The terms above have the following meanings:

- B = Backup Annual Special Tax per Lot for the applicable Fiscal Year
- Z = Assigned Annual Special Tax per Acre of Taxable Undeveloped Property for the applicable Zone for the applicable Fiscal Year
- A = Acreage of Taxable Developed Property expected to exist in the applicable Final Subdivision Map at buildout, as determined by the Assistant Superintendent pursuant to Section J

L = Lots in the Final Subdivision Map

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

- 1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified Final Subdivision Map area prior to the change or modification.
- 2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision Map area, as reasonably determined by the Board.
- 3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Subdivision Map area for all remaining Fiscal Years in which the Special Tax may be levied.

# 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 determine the Annual Special Tax Requirement to be collected in IA B of CFD No. 10 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

**First:** The Annual Special Tax shall be levied on each Assessor's Parcel of Taxable Developed Property at the Assigned Annual 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 Proportionately on each Assessor's Parcel of Taxable Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

**Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second steps above is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Taxable Developed Property whose Maximum Special Tax is the Backup Annual Special Tax shall be increased Proportionately from the Assigned Annual Special Tax up to the Backup Annual Special Tax to satisfy the Annual Special Tax Requirement.

## SECTION G PREPAYMENT OF ANNUAL SPECIAL TAX

The Annual Special Tax obligation of an Assessor's Parcel of Taxable Developed Property or an Assessor's Parcel of Taxable 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. <u>Prior to Issuance of Non-School Bonds</u>

Prior to the issuance of Non-School 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 3.

GROSS PREPAYMENT AMOUNT FOR MAY 1, 2001 TO APRIL 30, 2002		
Zone	Building Square Feet	Assigned Annual Special Tax <sup>1</sup>
1	<= 3,600	\$26,948.40 per Detached/Attached Unit
1	3,601 - 3,900	\$28,674.64 per Detached/Attached Unit
1	> 3,900	\$29,332.25 per Detached/Attached Unit
2	<= 2,600	\$19,851.06 per Detached/Attached Unit
2	2,601 - 3,000	\$19,851.06 per Detached/Attached Unit
2	> 3,000	\$19,851.06 per Detached/Attached Unit
3	<= 2,450	\$19,851.06 per Detached/Attached Unit
3	2,451 - 2,650	\$19,851.06 per Detached/Attached Unit
3	> 2,650	\$19,851.06 per Detached/Attached Unit
1. No Assigned Annual Special Tax shall apply to Affordable Units or Senior Citizen Units.		

# TABLE 3

On each May 1, commencing May 1, 2002, the Gross Prepayment Amount for each Unit shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that the Gross Prepayment Amount applicable to a Unit shall not increase after the issuance of the building permit for such Unit.

#### 2. <u>Subsequent to Issuance of Non-School Bonds</u>

Subsequent to the issuance of Non-School 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	<b>Redemption Premium</b>
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. For each Assessor's Parcel of Taxable Developed Property, compute the Assigned Annual Special Tax and the Backup Annual Special Tax. For each Assessor's Parcel of Taxable Undeveloped Property, compute the Assigned Annual Special Tax and the Backup Annual Special Tax applicable to the Assessor's Parcel as though it was already designated as Taxable Developed Property, based upon the building permit issued for that Assessor's Parcel.
- 2. For each Annual Special Tax obligation to be prepaid, (a) 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 Taxable Developed Property at buildout, as reasonably determined by the Assistant Superintendent, and (b) divide the Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Backup Annual Special Tax applicable to all Assessor's Parcel by the estimated Backup Annual Special Tax applicable to all Assessor's Parcels of Taxable Developed Property at buildout, as reasonably determined by the Assistant Superintendent.
- 3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Non-School Bonds. The product is the "Bond Redemption Amount."
- 4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Non-School Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
- 5. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 9) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Non-School Bonds.

- 6. 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 Non-School Bonds.
- 7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance."
- 8. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Non-School Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
- 9. 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 Non-School 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 Non-School 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.
- 10. 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 IA B 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 IA B of 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 Non-School Bonds in each future Fiscal Year, as reasonably determined by the Assistant Superintendent.

## SECTION H PARTIAL PREPAYMENT OF SPECIAL TAX

Prior to the issuance of a building permit for the construction of a production Unit on a Lot within a Final Subdivision Map area, the owner of no less than the entire Final Subdivision Map area may elect to prepay any portion of the applicable Annual Special Tax obligations for all of the Assessor's Parcels within such Final Subdivision Map area. In order to prepay any portion of the applicable Annual Special Tax obligations, the residential Final Subdivision Map area must contain at least 25 Detached Units or 50 Attached Units. The partial prepayment of each Annual Special Tax obligations with respect to model Units for which building permits have already been issued must be partially prepaid at the time of the election. The Partial Prepayment Amount shall be calculated according to the following formula:

$$\mathbf{PP} = \mathbf{P}_{\mathbf{G}} \times \mathbf{F}$$

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.

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.

With respect to any Assessor's Parcel's Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall indicate in the records of IA B of CFD No. 10 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, to indicate the partial prepayment of 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. 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.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Tax that may be levied in IA B of 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 Non-School Bonds in each future Fiscal Year, as reasonably determined by the Assistant Superintendent.

#### SECTION I TERMINATION OF SPECIAL TAX

The Annual Special Tax shall be levied for a term of thirty-four (34) Fiscal Years after the issuance of Non-School Bonds by IA B of CFD No. 10, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

#### SECTION J 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, (v) Assessor's Parcels for which building permits were issued on or before May 1 of the prior Fiscal Year for the construction of Affordable Units and/or Senior Citizen Units exclusively, (vi) Assessor's Parcels for which building permits were issued on or before May 1 of the prior Fiscal Year for the construction of GFA and Assessor's Parcels which directly service such Assessor's Parcels, such as parking lots, as reasonably determined by the Assistant Superintendent, and (vii) other types of Assessor's Parcels, at the reasonable discretion of the Assistant Superintendent, provided that no such classification would reduce the Acreage of all Taxable Property in any Zone to less than the Minimum Taxable Acreage for such Zone. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property in a Zone to less than the Minimum Taxable Acreage for such Zone will continue to be classified as Taxable Developed Property or Taxable Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

MINIMUM TAXABLE ACREAGE		
Minimum		
Zone	Taxable Acreage	
Zone 1	14.04	
Zone 2	10.97	
Zone 3	12.14	

TABLE 4
---------

# SECTION K 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 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 IA B of CFD No. 10 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

J:\CLIENTS\POWAY.USD\SUBAREA4\RESTRUCTURE\IAB\_RMA5.DOC

[THIS PAGE INTENTIONALLY LEFT BLANK]

# RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR COMMUNITIES FACILITIES DISTRICT NO. 6 OF THE POWAY UNIFIED SCHOOL DISTRICT

A One-Time Special Tax and an Annual Special Tax shall be levied on and collected in Community Facilities District No. 6 ("CFD No. 6") 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. 6, 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, exclusive of land area identified as open space on a Final Map and land area encumbered with public or utility easements making impractical such land area use for purposes other than those set forth in the easements, including recorded easements for conservation or open space purposes, as reasonably calculated or determined by the Assistant Superintendent based on the applicable Assessor Parcel Map, Final Map, parcel map, condominium plan, or other recorded County parcel map or applicable data.

"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 the CFD related to the determination of the amount of the levy of special taxes (e.g., administration consultant, fiscal agent, arbitrage consultant, etc.), 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, and the costs of the payment of the appropriate allocable share of salaries and benefits of any School District employee whose duties are directly related to the administration of the CFD.

"Affordable Unit" means one of not more than 150 Units 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 subject to affordable housing restrictions under any applicable law. The first 150 Units which meet the criteria set forth in (i) and (ii) of the preceding sentence and for which Building Permits are issued will be designated permanently and irrevocably as Affordable Units.

"Annual Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable 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 (i) for Developed Property, the special tax of that name calculated as described in Section E.1. below, or (ii) for Undeveloped Property, the special tax of that name calculated as described in Section E.2. 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.

"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 incurred by CFD No. 6 or the School District.

**"Building Square Footage"** or **"BSF"** for any Residential Property means all of the square footage within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area, as defined in Section 65995 of the Government Code.

**''Building Permit''** means a permit for construction of a residential or commercial/industrial 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.

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

"CFD No. 6" means Community Facilities District No. 6 established by the School District under the Act.

"Commercial/Industrial Property" means all Assessor's Parcels of Developed Property other than Residential Property and Exempt Property.

"County" means the County of San Diego.

"Detached Unit" means a Unit which is not an Affordable Unit or an Attached Unit.

**"Developed Property"** means all Assessor's Parcels in CFD No. 6 for which Building Permits for new construction were issued after the formation of CFD No. 6 and on or before January 1 of the prior Fiscal Year.

"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. 6.

"**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.

"Gross Floor Area" or "GFA" means for 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 defined in Section 65995 of the Government Code.

"Gross Prepayment Amount" for any Assessor's Parcel of Developed Property means that gross prepayment 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 ("M&S Index"), and if the M&S Index ceases to be used by the State Allocation Board, a reasonably comparable index used by the State Allocation Board to estimate increases or decreases 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.

"Land Use Class" means any of the classes of Developed Property, i.e., Commercial/Industrial Property, Exempt Property, and Residential Property.

"Master Developer" means 4S Kelwood General Partnership, a California general partnership or any successor.

**''Maximum Special Tax''** means the maximum special tax, determined in accordance with Section C, that can be levied by CFD No. 6 on any Assessor's Parcel in any Fiscal Year.

**''One-Time Special Tax''** means the single payment special tax to be collected from the owner of an Assessor's Parcel of Undeveloped Property, pursuant to Section D below.

**''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.

**"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, 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.

**''Residential Property''** means all Assessor's Parcels of Developed Property for which the Building Permit was issued for purposes of constructing a Unit(s).

"Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the regularly scheduled debt service payments on all Bonds which are due in the Calendar Year commencing during such Fiscal Year, assuming that principal is paid when due without acceleration or optional redemption, (ii) credit or liquidity fees on the Bonds, (iii) the cost of acquisition or construction of Facilities, (iv) Administrative Expenses, (v) the costs associated with the release of funds from an escrow account, (vi) any amount required to establish, maintain, or replenish any reserve funds and credit enhancement facilities established in association with the Bonds, (vii) lease payments for Facilities, and (vii) any other payments permitted by law.

"Special Tax Requirement A" means, in Fiscal Years in which an elementary school located within or financed by CFD No. 6 is opened, the amount required to fund the Technology Budget, less any amount previously received by CFD No. 6 for such purpose from Master Developer. In Fiscal Years in which no elementary school located within or financed by CFD No. 6 is opened, the Special Tax Requirement A shall be \$0.

**''Taxable Property''** means all Assessor's Parcels within the boundaries of CFD No. 6 which are not exempt from the special tax pursuant to law or Section J below.

**''Technology Budget''** means, for Fiscal Year 1997-98, \$238,770 for each elementary school constructed in CFD No. 6. Each July 1, commencing July 1, 1998, the Technology Budget for each elementary school constructed in CFD No. 6 shall be increased or decreased by the annual percentage change in the Index. For purposes of this calculation, the annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Fiscal Year.

"Undeveloped Property" means all Assessor's Parcels in CFD No. 6 for which no Building Permit was issued after the formation of CFD No. 6 and on or before January l of the prior Fiscal Year.

"Undeveloped Special Tax Requirement" means the greater of (i) \$0 or (ii) the amount required in any Fiscal Year to pay: (1) the regularly scheduled debt service payments on all Bonds which are due in the Calendar Year commencing during such Fiscal Year, assuming that principal is paid when due without acceleration or optional redemption, (2) credit or liquidity fees on the Bonds, (3) Administrative Expenses, and (4) any amount required to establish, maintain, or replenish any reserve funds and credit enhancement facilities established in association with the Bonds, less the sum of the amounts levied on Developed Property in Section F.1.

"**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, or a Detached Unit.

**"Zone A"** means the area within the boundaries of CFD No. 6 designated as Zone A on the map of the boundaries of CFD No. 6 most recently recorded in the Maps of Assessment and Community Facilities Districts in the Office of the Recorder of the County, which area is designated at the time of the formation of CFD No. 6 as Assessor's Parcel Numbers 678-030-06-00 and 678-050-09-00.

# SECTION B PROPERTY CLASSIFICATION

For each Fiscal Year, beginning Fiscal Year 1997-98, each Assessor's Parcel in CFD No. 6 shall be classified as an Assessor's Parcel of Developed Property, Undeveloped Property or Exempt Property.

## SECTION C MAXIMUM SPECIAL TAX

## 1. <u>Developed Property</u>

In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Residential Property shall be the Assigned Annual Special Tax. In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Commercial/Industrial Property shall be the amount of any portion of the One-Time Special Tax that is 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.

# 2. <u>Undeveloped Property</u>

In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property not located in Zone A shall be the sum of (i) the Assigned Annual Special Tax and (ii) the One-Time Special Tax. In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property located in Zone A shall be the sum of (i) the Assigned Annual Special Tax, (ii) the Zone A Assigned Annual Special Tax, and (iii) the One-Time Special Tax.

#### SECTION D ONE-TIME SPECIAL TAX

A One-Time Special Tax shall be collected from the owner of each Assessor's Parcel of Undeveloped Property on the date a Building Permit is issued for such Assessor's Parcel. There shall be no One-Time Special Tax for Assessor's Parcels of Undeveloped Property for which the Building Permit is issued for the construction of a residential structure. The One-Time Special Tax for Calendar Year 1997 for Assessor's Parcels of Undeveloped Property for the construction of a structure other than a residential structure shall be \$0.30 per square foot of Gross Floor Area.

On each January 1, commencing January 1, 1998, 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 Calendar Year. The annual percent change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Calendar Year.

## SECTION E ASSIGNED ANNUAL SPECIAL TAX

## 1. <u>Developed Property</u>

#### a. 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.

FOR FISCAL YEAR 1997-98		
Land Use Class	Unit Type	Assigned Annual Special Tax 1997-98
Residential Property	Detached Unit	\$1,770.00 per Unit
Residential Property	Attached Unit	\$782.88 per Unit
Residential Property	Affordable Unit	\$0.00 per Unit
Commercial/Industrial Property	NA	\$0.00 per GFA

#### TABLE 1 ASSIGNED ANNUAL SPECIAL TAX FOR NEW DEVELOPED PROPERTY FOR FISCAL YEAR 1997-98

Each July 1, commencing July 1, 1998, 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 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 Calendar Year.

## 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%) of the amount in effect in the prior Fiscal Year.

## 2. <u>Undeveloped Property</u>

1. Assigned Annual Special Tax

The Assigned Annual Special Tax for Undeveloped Property shall be \$1,000 per acre of Acreage in Fiscal Year 1997-98. On each July 1, commencing July 1, 1998, the Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

## a. Zone A Assigned Annual Special Tax

The Zone A Assigned Annual Special Tax for Undeveloped Property located in Zone A shall be \$5,000 per acre of Acreage in Fiscal Year 1997-98. On each July 1, commencing July 1, 1998, the Zone A Assigned Annual Special Tax 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 1997-98 and for each subsequent Fiscal Year, the Assistant Superintendent shall reasonably determine the Special Tax Requirement and the Undeveloped Special Tax Requirement. In addition, in any Fiscal Year in which an elementary school located within or financed by CFD No. 6 is opened, the Assistant Superintendent shall reasonably determine the Special Tax Requirement A.

The Annual Special Tax shall be levied as follows:

#### 1. <u>Special Tax Requirement</u>

An Annual Special Tax shall be levied 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.

#### 2. <u>Undeveloped Special Tax Requirement</u>

If the Undeveloped Special Tax Requirement is greater than \$0, an Annual Special Tax shall additionally be levied on every Assessor's Parcel of Undeveloped Property at the same amount per acre of Acreage as necessary to satisfy the Undeveloped Special Tax Requirement, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

#### 3. Special Tax Requirement A

An Annual Special Tax shall additionally be levied on every Assessor's Parcel of Undeveloped Property located in Zone A at the same amount per acre of Acreage as necessary to satisfy the Special Tax Requirement A, up to the Zone A Assigned Annual Special Tax applicable to each 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. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 6 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Assistant Superintendent shall reasonably determine the Prepayment Amount of such Assessor's Parcel 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 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. For each series of Bonds, an amount of Regularly Retired Principal shall also be allocated to each Assessor's Parcel, to be calculated pursuant to Section G.3.E. below. 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 less the amount of Regularly Retired Principal allocated to such Assessor's Parcel is less than the sum of all the Gross Prepayment Amounts applicable to such Assessor's Parcel pursuant to Section G.2., 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. <u>Prepayment Amount for Assessor's Parcel with Allocation of Bonds Less than Applicable</u> <u>Gross Prepayment Amounts</u>

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 calculated by (i) counting all the Units of each Land Use Class applicable to such Assessor's Parcel, (ii) multiplying the sum of the Units for each Land Use Class for such Assessor's Parcel by the applicable Gross Prepayment Amount per Unit, and (iii) adding all the products derived from the immediately preceding step which are applicable to such Assessor's Parcel. This sum is the Prepayment Amount for the Assessor's Parcel. The Gross Prepayment Amounts for Calendar Year 1997 shall be determined by reference to Table 2 below.

Land Use Class	Unit Type	Gross Prepayment Amount 1997
Residential Property	Detached Unit	\$16,328.43 per Unit
Residential Property	Attached Unit	\$7,011.61 per Unit
Residential Property	Affordable Unit	\$0.00 per Unit
Commercial/Industrial Property	NA	\$0.00 per GFA

TABLE 2 GROSS PREPAYMENT AMOUNT

On each January 1, commencing January 1, 1998, the Gross Prepayment Amounts applicable to each Assessor's Parcel 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 Calendar Year.

#### 3. <u>Prepayment Amount for Assessor's Parcel with Allocation of Bonds Equal to or More</u> <u>than Applicable Gross Prepayment Amounts</u>

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
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 Assistant Superintendent.

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 Assistant Superintendent.

D. Reserve Fund Credit

The Reserve Fund credit, if any, shall be calculated as the sum of (i) the reduction in the applicable reserve fund requirements resulting from the redemption of Bonds with the Prepayment Amount, plus (ii) the reduction in the applicable reserve fund requirements attributable to the allocable portion of regularly scheduled retirement of principal that has occurred, as well as any other allocable portion of principal retired not related to Prepayment Amounts or Partial Prepayment Amounts. The allocable portion of regularly scheduled retirement of principal that has occurred means the total regularly scheduled retirement of principal that has occurred with respect to each series of Bonds times the applicable Prepayment Ratio for each such series of Bonds. The allocable portion of principal retired not related to Prepayment Amounts or Partial Prepayment Amounts means the total principal retired not related to Prepayment Amounts or Partial Prepayment Ratio for each such series of Bonds. The allocable portion of principal retired not related to Prepayment Amounts or Partial Prepayment Amounts means the total principal retired not related to Prepayment Amounts or Partial Prepayment Amounts with respect to each series of Bonds times the applicable Prepayment Amounts with respect to each series of Bonds times the applicable Prepayment Amounts with respect to each series of Bonds times the applicable Prepayment Amounts with respect to each series of Bonds times the applicable Prepayment Amounts with respect to each series of Bonds times the applicable Prepayment Ratio for each such series of Bonds. E. Regularly Retired Principal

The Regularly Retired Principal is the total regularly scheduled retirement of principal that has occurred with respect to each series of Bonds times the applicable Prepayment Ratio for each such series of Bonds.

F. Partial Prepayment Credit

Partial prepayments of the Annual Special Tax obligation occurring prior to the issuance of Bonds will be credited in full. 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.

With respect to an Annual Special Tax obligation that has been prepaid, the Assistant Superintendent shall reasonably indicate in the records of CFD No. 6 that there has been a prepayment of the Annual Special Tax and shall reasonably cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment of Annual Special Taxes, to indicate reasonably the prepayment of 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 shall be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times annual debt service on all outstanding Bonds.

## SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX

At the time a Final Map is recorded for any Taxable Property, the owner filing said Final Map for recordation concurrently may elect for all of the Assessor's Parcels created by said Final Map to prepay a portion of the applicable Annual Special Tax obligation, provided that the Final Map contains at least 15 Detached Units or 30 Attached Units. The partial prepayment of the Annual Special Tax obligation for every Assessor's Parcel shall be collected prior to the issuance of a Building Permit. The Partial Prepayment Amount shall be calculated according to the following formula:

 $PP = P_G \times F$ .

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.

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 reasonably 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 and may reasonably charge a reasonable fee for providing this service.

With respect to an Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall reasonably indicate in the records of CFD No. 6 that there has been a partial prepayment of the Annual Special Tax and shall reasonably cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of Annual Special Taxes, to indicate reasonably 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.

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

#### 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 last bond series is issued, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

## SECTION J EXEMPTIONS

The Assistant Superintendent shall not levy a special tax on Assessor's Parcels 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 or on Assessor's Parcels within the boundaries of CFD No. 6 which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization. Notwithstanding the above, the Assistant Superintendent shall not levy a special tax on Assessor's Parcels owned by a homeowners' association, Assessor's Parcels with public or utility easements making impractical their use for purposes other than those set forth in the easements, and Assessor's Parcels identified entirely as open space on a Final Map.

## SECTION K

Page 12 of 13

#### 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 reasonably and promptly review the appeal, and if necessary, reasonably meet with the property owner, reasonably consider written and oral evidence regarding the amount of the special tax, and reasonably rule on the appeal. If the Assistant Superintendent's decision reasonably requires that the special tax for an Assessor's Parcel be reasonably modified or reasonably 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 One-Time Special Tax shall be collected on or before the date a Building Permit is issued, provided that any portion of the One-Time Special Tax that is not collected at the issuance of a Building Permit may be levied on such Assessor's Parcel in any following Fiscal Year. The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided that CFD No. 6 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

J:\CLIENTS\POWAY.USD\4S\_RANCH\RMA13.WPD

(THIS PAGE INTENTIONALLY LEFT BLANK)

# 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. <u>Developed Property</u>

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. <u>Undeveloped Property</u>

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. <u>Zone 1</u>

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. <u>Zone 2</u>

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

ASSIGNED ANNUAL SPECIAL TAX FOR NEW DEVELOPED PROPERTY FOR FISCAL YEAR 2001-02		
Unit Type	Assigned Annual Special Tax in Zone 1 <sup>1</sup>	Assigned Annual Special Tax in Zone 2 <sup>1</sup>
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 Inflator.

#### 2. <u>Assigned Annual Special Tax for Existing Developed Property</u>

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. <u>Prior to Issuance of Bonds</u>

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.

GROSS PREPAYMENT AMOUNT FOR MAY 1, 2001 TO APRIL 30, 2002			
Gross PrepaymentGross PrepaymentUnit TypeAmount in Zone 1Amount 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	

# TABLE 2

On each May 1, commencing May 1, 2002, the Gross Prepayment Amount for each Unit shall be increased by the Inflator, provided that the Gross Prepayment Amount applicable to a Unit shall not increase after the issuance of the building permit for such Unit.

## 2. <u>Subsequent to Issuance of Bonds</u>

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	<b>Redemption Premium</b>
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. 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 buildout, 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."
- 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.

J:\CLIENTS\POWAY.USD\SUBAREA4\RESTRUCTURE\CFD10\_RMA5.DOC

[THIS PAGE INTENTIONALLY LEFT BLANK]

## **APPENDIX C**

## ASSESSED VALUE ANALYSIS

[THIS PAGE INTENTIONALLY LEFT BLANK]

### ASSESSED VALUE ANALYSIS

#### COVERING

Poway Unified School District Public Financing Authority 2011 Revenue Refunding Bonds CFD No. 6 – Improvement Area A CFD No. 10 – Improvement Areas A & B

DATE OF VALUE:

August 15, 2011

## SUBMITTED TO:

Sandra G. Burgoyne Poway Unified School District 13626 Twin Peaks Rd. Poway, CA 92064-3034

#### DATE OF REPORT:

August 25, 2011

#### SUBMITTED BY:

Stephen G. White, MAI 1370 N. Brea Blvd., Suite 255 Fullerton, CA 92835

# Stephen G. White, MAI



Real Estate Appraiser

1370 N. BREA BLVD., SUITE 255 · FULLERTON, CALIFORNIA 92835-4173 (714) 738-1595 · FAX (714) 738-4371

August 25, 2011

Sandra G. Burgoyne Poway Unified School District 13626 Twin Peaks Rd. Poway, CA 92064-3034 Re: CFD No. 6 – Improvement Area A and CFD No. 10 – Improvement Areas A & B

Dear Ms. Burgoyne:

In accordance with your request, I have completed an Assessed Value Analysis of the taxable properties within the above-referenced Community Facilities Districts (CFD). The taxable properties consist of the following:

- CFD No. 6, IA-A: 7 different tracts of detached homes; total of 565 homes
- CFD No. 10, IA-A: 4 different tracts of detached homes; total of 391 homes
- CFD No. 10, IA-B: 3 different tracts of detached homes; total of 235 homes

Thus, there are a total of 14 different tracts of homes comprising a total of 1,190 detached single-family homes.

The purpose of this analysis is to consider the total and average (per home) assessed value for each separate tract within the three Improvement Areas within the two CFDs, and to calculate the range and average of the percentage variance from sale prices to assessed value for homes where a closed or pending sale has occurred in 2011. The sales that have been considered include all closed sales since January 1, 2011 and current escrows/pending sales as of the August 15, 2011 date of value. The data and conclusions from the analysis are summarized in the following table:

	Total <u>A.V.</u>	No. Homes	Average <u>A.V.</u>	No. <u>Sales</u>	Range % Var. Sale Price/A.V.	Avg. % Var. Sale Price/A.V.
CFD No. 6, IA-A:						
Belle Rive tract:	\$50,971,193	82	\$621,600	6	-9.9% to +14.3%	+1.9%
Canyon Ridge tract:	\$54,305,035	74	\$733,852	0	n/a	n/a
Palomino tract:	\$83,761,410	97	\$863,520	2	-2.5% to +7.5%	+2.5%
Avery Lane tract:	\$58,626,544	75	\$781,687	2	+2.5% to +7.7%	+5.1%
Cambridge tract:	\$45,178,089	65	\$695,048	0	n/a	n/a
Terreno tract:	\$85,737,237	105	\$816,545	2	-7.1% to +9.3%	+1.1%
Ivy Gate tract:	<u>\$81,504,960</u>	<u>66</u>	<u>\$1,234,924</u>	<u>9</u>	-23.0% to +23.6%	+1.3%
	\$460,084,468	564	\$815,753	21	-23.0% to +23.6%	+1.9%

## MS. SANDRA G. BURGOYNE AUGUST 25, 2011 PAGE 2

	Total <u>A.V.</u>	No. <u>Homes</u>	Average <u>A.V.</u>	No. <u>Sales</u>	Range % Var. <u>Sale Price/A.V.</u>	Avg. % Var. <u>Sale Price/A.V.</u>
CFD No. 10, IA-A:						
Montellano tract:	\$80,201,312	111	\$722,534	4	-7.8% to +4.0%	-1.6%
Cabrera tract:	\$93,472,674	149	\$627,333	8	-14.2% to +10.0%	+0.8%
Monet Collection tract:	\$35,995,430	65	\$553,776	2	+0.4% to +13.3%	+6.9%
Torrey Glenn tract:	\$52,141,214	<u>66</u>	<u>\$790,018</u>	<u>2</u>	+1.3% to +1.8%	+1.6%
	\$261,810,630	391	\$669,592	16	-14.2% to +13.3%	+1.1%
CFD No. 10, IA-B:						
Cordero tract:	\$54,971,569	78	\$704,764	2	-0.7% to +15.5%	+7.4%
Montea tract:	\$57,376,034	90	\$637,511	3	+16.5% to +25.8%	+20.0%
Valonia tract:	<u>\$53,067,917</u>	<u>67</u>	<u>\$792,058</u>	<u>2</u>	+5.1% to +9.0%	+7.1%
	\$165,415,520	235	\$703,896	7	-0.7% to +25.8%	+12.7%
TOTAL	\$887,310,618	1,190				

The following is the balance of this 72-page Assessed Value Analysis which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, analysis and market data from which the conclusions were derived.

Sincerely,

S. alt

Stephen G. White, MAI (State Certified General Real Estate Appraiser No. AG 013311)

SGW:sw Ref: 11035

# **TABLE OF CONTENTS**

# PAGES

Certification	5
Assumptions and Limiting Conditions	6-7
Purpose and Intended Use/User of the Analysis, Scope of the	
Analysis, Date of Value	8
INTRODUCTION	
Location Map, Location, Overview of CFD No. 6, Overview of	
CFD No. 10, Overview of Pertinent Data and Analysis	9-11
CFD NO. 6 – IMPROVEMENT AREA A	12-39
CFD NO. 10 – IMPROVEMENT AREA A	40-57
CFD NO. 10 – IMPROVEMENT AREA B	58-69
ADDENDA	
Qualifications of Appraiser	70-72

## **CERTIFICATION**

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- I have made a personal but general and past inspection of the properties that are the subject of this report.
- I have performed a previous appraisal of the CFD No. 6 portion of the subject properties within the three years prior to this assignment.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

The XI. ant

Stephen G. White, MAI (State Certified General Real Estate Appraiser No. AG013311)

## ASSUMPTIONS AND LIMITING CONDITIONS

This analysis has been based upon the following assumptions and limiting conditions:

- 1. No responsibility is assumed for the legal descriptions provided or for matters pertaining to legal or title considerations. Title to the properties is assumed to be good and marketable unless otherwise stated.
- 2. The properties are analyzed free and clear of any or all liens or encumbrances unless otherwise stated.
- 3. Responsible ownership and competent property management are assumed.
- 4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 5. All engineering studies, if applicable, are assumed to be correct. Any plot plans or other illustrative material in this report are included only to help the reader visualize the properties.
- 6. It is assumed that there are no hidden or unapparent conditions of the properties, subsoil, or structures that render them more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- 7. It is assumed that the properties are in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in this report.
- 8. It is assumed that the properties conform to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in this report.
- 9. It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the analyses contained in the report is based.
- 10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the properties described and that there are no encroachments or trespasses unless noted in the report.
- 11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the properties, was not observed by the appraiser. However, the appraiser is not qualified to detect such substances. The presence of such substances may affect the value of the properties, but the values discussed in

## ASSUMPTIONS AND LIMITING CONDITIONS, Continuing

this analysis are based on the assumption that there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field, if desired.

- 12. Possession of this report, or a copy thereof, does not carry with it the right of publication, unless otherwise authorized. It is understood and agreed that this report will be utilized in the Preliminary Official Statement and the Official Statement, as required for the bond issuance.
- 13. The appraiser, by reason of this analysis, is not required to give further consultation or testimony or to be in attendance in court with reference to the properties in question unless arrangements have previously been made.

#### PURPOSE AND INTENDED USE/USER OF THE ANALYSIS

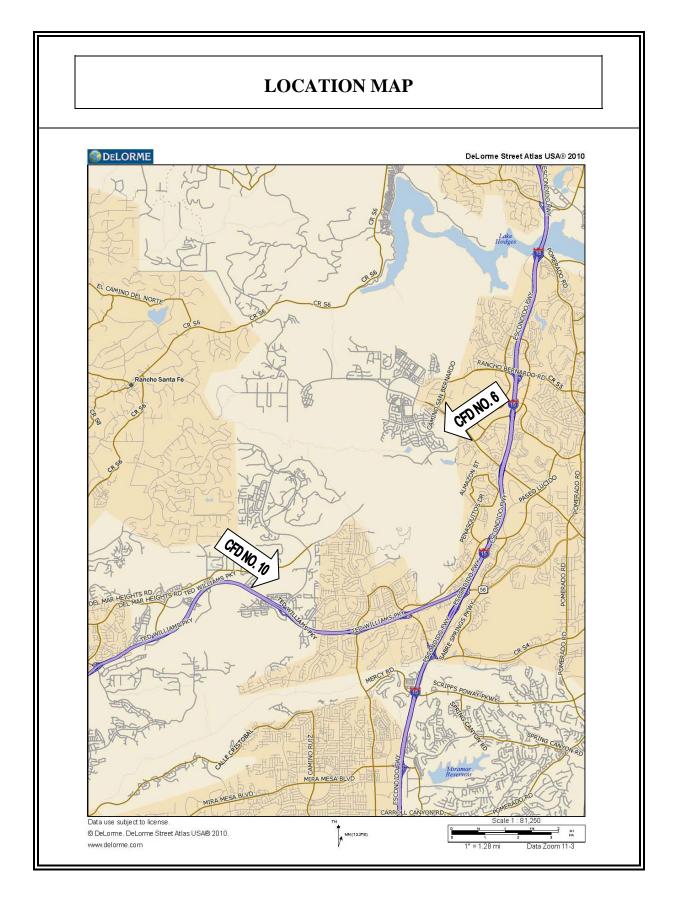
The purpose of this Assessed Value Analysis is to consider the total and average (per home) assessed value for each separate tract within the three Improvement Areas within the two CFDs, and to calculate the range and average of the percentage variance from recent sale prices to assessed value for homes where a sale has occurred in 2011. The sales that have been considered include all closed sales since January 1, 2011 as well as current escrows/pending sales as of the August 15, 2011 date of value. It is intended that this Assessed Value Analysis is to be used by the client, the financing team and others as required in the CFD bond issuance.

### SCOPE OF THE ANALYSIS

It is the intent of this analysis that all appropriate data considered pertinent in the analysis of the subject properties be collected, confirmed and reported in this Assessed Value Analysis, in conformance with the Uniform Standards of Professional Appraisal Practice. This has included a prior general inspection of the subject properties and their surroundings; review of various maps and documents relating to the properties and the developments which have taken place; obtaining of pertinent property data on the subject properties from a variety of sources; obtaining of comparable sales from a variety of sources; and analysis of all of the data to the indications of the percentage variance from recent sale prices and to the respective assessed values.

#### **DATE OF VALUE**

The date of value for this analysis is August 15, 2011.



#### **INTRODUCTION**

## LOCATION

The map on the opposite page indicates the approximate location of the two CFDs that are included in this analysis. As indicated, CFD No. 6 – Improvement Area A is generally located near the intersection of Dove Canyon Rd. and Carmel Valley Rd., about a mile west of the 15 Freeway, in an unincorporated County area but with a San Diego mailing address. CFD No. 10 – Improvement Areas A & B are generally located near the interchange of the 56 (Ted Williams) Freeway and Camino Del Sur, within the City of San Diego.

### **OVERVIEW OF CFD NO. 6**

CFD No. 6 generally comprises the master-planned community of 4S Ranch, which is a mixed-use master planned community that contains a total of  $\pm 2,900$  acres. The community is planned for a total of over 4,000 dwelling units consisting of mostly detached homes but also a mix of attached homes and apartments, and build-out will likely occur in the next several years. There is also a 53-acre mixed-use district called 4S Commons which includes the 4S Commons Town Center, and a separate smaller commercial center called 4S Ranch Village. Community amenities include two elementary schools, a middle school and a high school, a fire station, a sheriff substation, a library, 1,600 acres of permanent open space/wildlife habitat, a 25-acre community park, three neighborhood parks, pocket parks and public greens, and more than 10 miles of hiking and biking trails winding throughout the community.

CFD No. 6 – Improvement Area A comprises Neighborhood Two which was the second phase of development of the community and is located at the southerly end of 4S Ranch. It includes 7 different tracts of detached homes, with a total of 565 homes.

## **OVERVIEW OF CFD NO. 10**

CFD No. 10 includes several non-contiguous areas of land, and comprises Improvement Areas A through F. These areas have mostly been developed in recent years with much residential development plus commercial development including retail and office uses. The residential development includes a mix of detached homes on minimum lot sizes of  $\pm 4,000$  s.f. to 7,500 s.f. as well as attached condominiums and townhomes at relatively higher densities. The nearby area includes two elementary schools, a middle school and a high school, and there is also much nearby natural open space within McGonigle Canyon and Deer Canyon.

Only Improvement Areas A and B are included in this analysis. These two Improvement Areas contain 7 different tracts of detached homes, with a total of 626 homes that comprise the taxable properties.

#### **OVERVIEW OF PERTINENT DATA AND ANALYSIS**

First, the pertinent property data is discussed for each tract, including the location of the tract, the legal description of the lots comprising the tract, the assessor data for the tract, the number and minimum size of the lots comprising the tract, and a description of the homes comprising the tract.

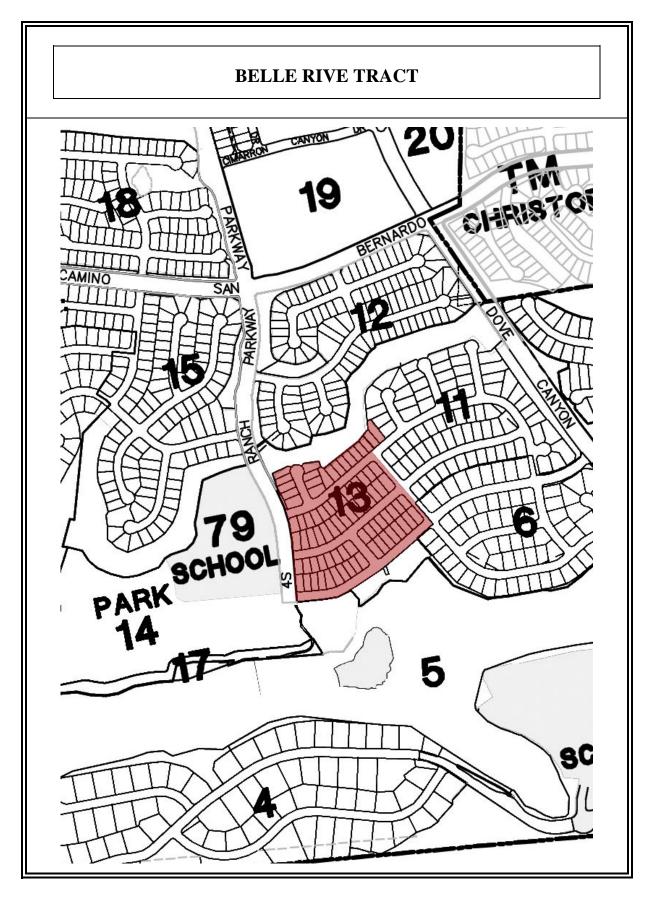
For the analysis, a spreadsheet has been prepared for each tract that first lists the Assessor Parcel Numbers (APN) for each taxable property comprising the tract, together with the home size (s.f.) and the Assessed Value (A.V.) for each parcel. The total and the average Assessed Value for the tract has also been calculated and shown on the spreadsheet.

Then, a search was made through the Assessor records and the Multiple Listing Service records for all home sales within the tract that have taken place thus far in 2011. The pertinent data includes closed sales since January 1, 2011 and current escrows or pending sales as of the August 15, 2011 date of value. The sales have also been verified as to type of sale – conventional, lender sale or short sale, since the conventional sales tend to represent market value but the lender and short sales tend to indicate below-market prices due to the distressed conditions of sale and/or the inferior condition of the property.

Where a sale has occurred, the spreadsheet indicates the closing date of the sale or that there is an escrow or pending sale, the sale type (conventional, lender or short sale), the sale price, and the percentage variance from sale price to Assessed Value. Lastly, the spreadsheet indicates the range and average of the percentage variance from sale price to Assessed Value.

It is noted that the aggregate total A.V. for all 1,190 parcels included in this analysis is \$887,310,618.

CFD NO. 6 – IMPROVEMENT AREA A



#### **BELLE RIVE TRACT**

## **PROPERTY DATA**

This tract is located along the east side of 4S Ranch Parkway, extending north from Dove Creek Rd.

This tract is described as Lots 1 to 82 of County of San Diego Tract No. 5216-1 according to Map No. 14431. The tract comprises Assessor Parcel Nos. 312-260-01 to 49, 312-261-01 to 31 and 312-262-01 to 02, and the assessed values (A.V.) range from \$530,460 to \$724,413.

This tract comprises a total of 82 lots. The minimum lot size is 4,500 s.f., or  $\pm$ 45' by 100'.

These lots were developed in 2003 and 2004 with a tract of 82 homes called Belle Rive at 4S Ranch. There are three floor plans, and per builder information the number, size and description of each plan is as follows:

<u>Plan 1</u> (26): 2,264 s.f., two-story, with 3 bedrooms, loft,  $2\frac{1}{2}$  baths and 3-car tandem garage with options of master retreat, den and bedrooms 4 and 5.

<u>Plan 2</u> (27): 2,865 s.f., two-story, with 3 bedrooms, loft, den, 3 baths and 3-car tandem garage with options of bedrooms 4, 5 and 6.

<u>Plan 3</u> (29): 3,047 s.f., two-story, with 5 bedrooms, 3 baths and 3-car garage with options of master retreat, loft, den and bedroom 6.

Per Assessor data, the homes in this tract range in size from 2,267 s.f. to 3,438 s.f. or an average of 2,896 s.f.

#### ANALYSIS

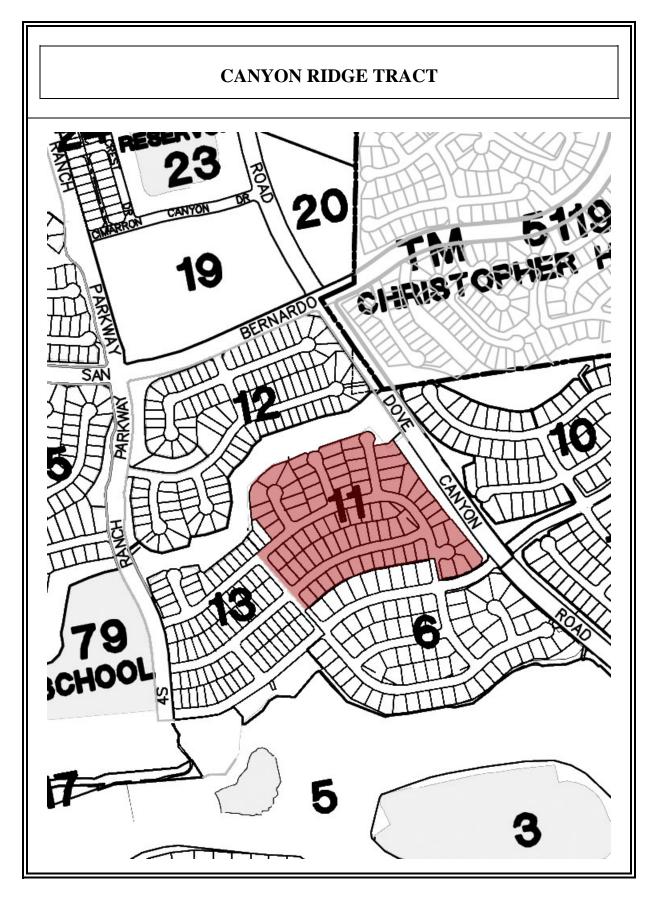
Per the spreadsheet on the following pages, the following data is indicated:

٠	Total A.V. for tract:	\$50,971,193
•	Average A.V. for tract:	\$621,600
•	Variance from sale price to A.V.:	-9.9% to +14.3%, or avg. of +1.9%

It is noted that of the 6 sales, the 3 conventional sales indicate the range of -2.1% to +14.3%, the 2 short sales indicate -9.9% and +13.9%, and the 1 lender sale indicates -5.6%. Thus, since 3 of the 6 sales were short or lender sales, on average the sale prices would tend to be at least slightly on the conservative side, resulting in the average variance of +1.9% as representative for the overall tract being on the conservative side.

			SALE	SALE		
APN	<u>SF</u>	AV	SALE <u>DATE</u>	TYPE	PRICE	VAR AV
312-260-01-00	2,492	600,000	DAIL	<u></u>	<u>I RICE</u>	
312-260-02-00	3,072	646,177				
312-260-03-00	3,075	655,085				
312-260-04-00	2,492	646,000				
312-260-05-00	2,922	700,000				
312-260-06-00	3,075	645,956				
312-260-07-00	3,072	632,861				
312-260-08-00	3,438	676,948				
312-260-09-00	3,072	724,413				
312-260-10-00	2,492	600,000				
312-260-11-00	3,072	613,995				
312-260-12-00	2,492	610,000				
312-260-13-00	3,075	618,463				
312-260-14-00	2,492	625,000				
312-260-15-00	3,075	700,000				
312-260-16-00	3,072	641,078				
312-260-17-00	3,273	618,254				
312-260-18-00	2,492	578,706				
312-260-19-00	2,492	596,754				
312-260-20-00	2,922	655,351				
312-260-21-00	3,273	597,524				
312-260-22-00	3,072	580,702				
312-260-23-00	3,075	605,504				
312-260-24-00	2,492	582,033				
312-260-25-00	2,922	609,805				
312-260-25-00	2,492	600,000				
312-260-27-00	3,075	694,143				
312-260-28-00	3,073	640,047				
312-260-29-00	2,492	600,000				
312-260-30-00	3,075	659,523				
312-260-31-00	3,072	720,000				
312-260-32-00	2,492	600,000				
312-260-33-00	3,072	700,000	Escrow	Conv	685,000	-2.1%
312-260-34-00	3,273	641,595	LJCIOW	conv	005,000	2.1/0
312-260-35-00	2,492	600,000				
312-260-36-00	3,072	656,212				
312-260-37-00	3,075	652,865				
312-260-38-00	3,072	702,000				
312-260-39-00	3,273	600,000				
312-260-40-00	2,492	600,000				
312-260-41-00	3,075	635,108				
312-260-42-00	3,072	602,896				
312-260-43-00	2,492	586,471				
312-260-44-00	3,273	600,000				
312-260-45-00	3,072	636,253				
312-260-46-00	2,492	600,000				
312-260-47-00	3,075	582,951				
312-260-48-00	2,492	556,037				
312-260-49-00	3,273	699,000	Apr-11	Lender	660,000	-5.6%
312-261-01-00	2,267	558,536	e		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
312-261-02-00	2,922	584,753				
312-261-03-00	3,075	624,810				
312-261-04-00	3,072	581,812				
312-261-05-00	3,273	600,000				
312-261-06-00	2,922	567,414				
312-261-07-00	2,492	547,105				
312-261-08-00	3,273	700,000	Pending	Short	631,000	-9.9%
	-, -		0			

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	PRICE	<u> VAR AV</u>
312-261-09-00	3,072	571,854				
312-261-10-00	3,075	574,073				
312-261-11-00	2,492	609,000				
312-261-12-00	3,072	588,944	Escrow	Short	671,000	+13.9%
312-261-13-00	3,273	705,270				
312-261-14-00	2,267	530,460				
312-261-15-00	3,075	700,000				
312-261-16-00	2,492	562,197				
312-261-17-00	3,072	580,953				
312-261-18-00	3,273	599,264				
312-261-19-00	2,922	621,363				
312-261-20-00	3,075	602,482				
312-261-21-00	2,267	546,662				
312-261-22-00	2,922	700,000				
312-261-23-00	2,267	576,547				
312-261-24-00	2,922	593,383				
312-261-25-00	3,273	600,000				
312-261-26-00	2,492	593,381				
312-261-27-00	3,075	700,233	Mar-11	Conv	706,000	+0.8%
312-261-28-00	3,072	587,058				
312-261-29-00	2,267	565,415				
312-261-30-00	3,072	651,755				
312-261-31-00	3,273	621,353	Apr-11	Conv	710,000	+14.3%
312-262-01-00	2,492	650,000				
312-262-02-00	3,075	649,406				
TOTAL		50,971,193			4,063,000	
NO. PARCELS		82			6	
AVERAGE		621,600			677,167	+1.9%
MINIMUM		-			-	-9.9%
MAXIMUM						+14.3%



#### **CANYON RIDGE TRACT**

## **PROPERTY DATA**

This tract is located along the west side of Dove Canyon Rd., extending north from Dove Creek Rd.

This overall tract is described as Lots 83 through 157 of County of San Diego Tract No. 5216-1, according to Map No. 14431; however, Lot 153 has prepaid the special taxes and is <u>not included</u> in this analysis. The 74 parcels included in this analysis comprise Assessor Parcel Nos. 312-262-03 to 45 and 312-263-01 to 27 & 29 to 32, and the assessed values range from \$252,782 to \$870,000.

This tract comprises a total of 75 lots, though only 74 are included in this analysis. The minimum lot size is approximately 6,300 s.f., or  $\pm 60'$  by 105'.

These lots were developed in 2003 and 2004 with a tract of homes called Canyon Ridge at 4S Ranch. There are three floor plans, and per builder information the approximate number, size and description of each plan is as follows:

<u>Plan 1</u> ( $\pm$ 21): 3,137 s.f., two-story, with 4 bedrooms, family room, breakfast nook,  $2\frac{1}{2}$  baths and 3-car tandem garage with options of loft, media room, and bath 3.

<u>Plan 2</u> ( $\pm$ 25): 3,382 s.f., two-story, with 3 bedrooms, loft, den, family room, breakfast nook, 3 baths and 3-car garage with options of office, bedroom 4 and 5.

<u>Plan 3</u> ( $\pm$ 29): 3,800 s.f., two-story, with 4 bedrooms, loft, super family room, breakfast nook, 3<sup>1</sup>/<sub>2</sub> baths and 3-car garage with options of master retreat, bunk room, bedrooms 5 & 6, and bath 4.

Per Assessor data, the homes in this tract range in size from 3,031 s.f. to 3,795 s.f. or an average of 3,467 s.f.

## ANALYSIS

Per the spreadsheet on the following pages, the following data is indicated:

•	Total A.V. for 74 parcels:	\$54,305,035
•	Average A.V. for 74 parcels:	\$733,852
•	Variance from sale price to A.V.:	n/a

It is noted that there have been no sales in this tract thus far in 2011. However, there are two current listings: 1) APN 312-262-36 (A.V. of \$760,177) was listed in March at \$899,000 as a conventional sale, an offer of \$820,000 was received and not accepted, and the current asking price is \$799,999 to \$850,000; the indications at \$799,999 and \$820,000 are +5.2% and +7.9% compared to the A.V.; 2) APN 312-262-45 (A.V. of \$798,678) was listed in June at \$819,000 as a conventional sale, and is currently available at \$819,000 which is +2.5% compared to the A.V.

APN	<u>SF</u>	AV
312-262-03-00	3,031	700,000
312-262-04-00	3,795	810,000
312-262-05-00	3,440	775,000
312-262-06-00	3,795	870,000
312-262-07-00	3,440	252,782
312-262-08-00	3,031	700,000
312-262-09-00	3,440	775,000
312-262-10-00	3,795	850,000
312-262-11-00	3,440	766,309
312-262-12-00	3,795	727,001
312-262-13-00	3,440	720,000
312-262-14-00	3,795	723,383
312-262-15-00	3,031	814,164
312-262-16-00	3,795	767,325
312-262-10-00	3,440	725,000
312-262-18-00	3,795	758,425
312-262-19-00	3,616	783,000
312-262-20-00	3,795	727,112
312-262-20-00	3,031	698,868
312-262-22-00	3,795	850,000
312-262-23-00	3,795	683,605
312-262-23-00	3,795	
312-262-24-00	3,440	775,048
312-262-25-00	,	700,000
	3,795	850,000
312-262-27-00 312-262-28-00	3,031	676,281
	3,616	720,383
312-262-29-00 312-262-30-00	3,795	766,505
312-262-30-00	3,031	656,082 850,000
312-262-31-00	3,795	850,000
	3,440	775,000
312-262-33-00	3,795	801,621
312-262-34-00	3,031	651,754 770 750
312-262-35-00 312-262-36-00	3,440 3,795	770,759
	,	760,177
312-262-37-00	3,440	775,000
312-262-38-00	3,795	797,056
312-262-39-00 312-262-40-00	3,440	678,780
	3,031	648,619 776,420
312-262-41-00	3,795	776,430
312-262-42-00 312-262-43-00	3,440	725,000
312-262-44-00	3,031 3,440	645,000 712 701
312-262-44-00	3,440 3,795	713,701
312-263-01-00	-	798,678
312-263-02-00	3,031 3,440	700,000
312-263-02-00	3,440 3,795	725,000
312-263-04-00	3,031	800,000 800,000
312-263-04-00	3,440	725,000
312-263-06-00	-	-
312-263-06-00	3,795 3,031	850,000 700,000
312-263-07-00	3,031	800,000
312-263-08-00	3,440	712,785
312-263-10-00	3,440 3,031	700,000
312-263-10-00	3,031	536,242
312-263-11-00	3,795 3,440	806,023
312-263-12-00	3,440 3,031	666,294
312-203-13-00	3,031	602 045

312-263-14-00 3,795

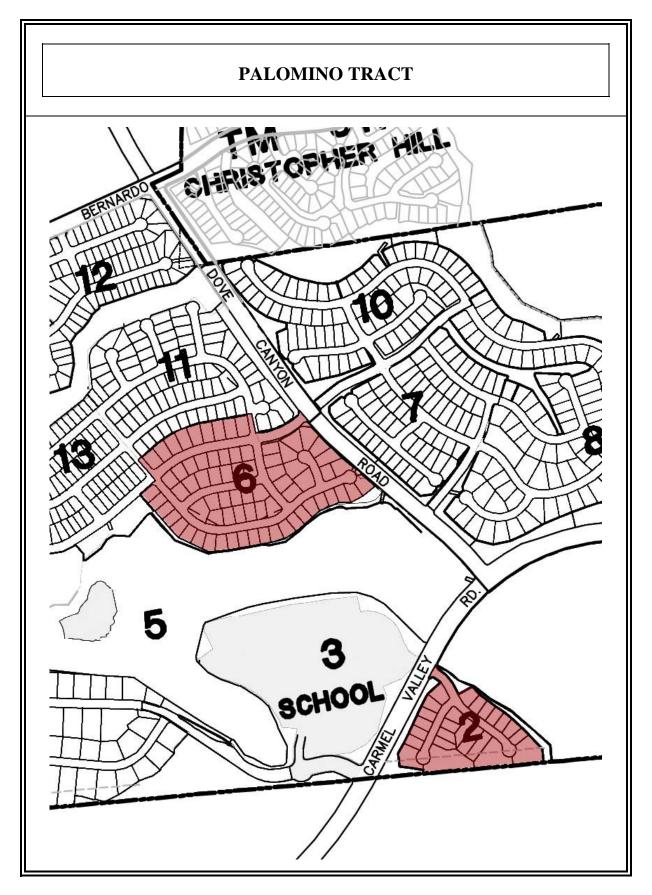
692,945

18

SALE	SALE

DATE TYPE PRICE VAR. - AV

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	PRICE	<u> VAR AV</u>
312-263-15-00	3,031	645,000				
312-263-16-00	3,440	684,090				
312-263-17-00	3,795	723,495				
312-263-18-00	3,031	749,664				
312-263-19-00	3,440	775,000				
312-263-20-00	3,795	805,922				
312-263-21-00	3,440	688,452				
312-263-22-00	3,031	648,432				
312-263-23-00	3,795	850,000				
312-263-24-00	3,440	725,000				
312-263-25-00	3,031	730,000				
312-263-26-00	3,795	710,271				
312-263-27-00	3,440	653,181				
312-263-29-00	3,031	702,707				
312-263-30-00	3,440	700,775				
312-263-31-00	3,795	766,909				
312-263-32-00	3,031	743,000				
TOTAL		54,305,035				
NO. PARCELS		74				
AVERAGE		733,852				
MINIMUM						
MAXIMUM						



#### PALOMINO TRACT

## **PROPERTY DATA**

The north part of this tract is located on the west side of Dove Canyon Rd., along the north side and extending south from Dove Creek Rd.; and the south part of this tract is located on the southeast side of Carmel Valley Rd. at Winesprings Dr.

This tract is described as Lots 158 through 230 of County of San Diego Tract No. 5216-1, according to Map No. 14431 recorded August 21, 2002; and Lots 496 to 519 of County of San Diego Tract No. 5216-3 according to Map No. 14978 recorded March 9, 2005. The tract comprises Assessor Parcel Nos. 312-263-33 to 41, 312-264-01 to 43, 312-265-01 to 21, and 312-280-01 to 24, and the assessed values range from \$729,105 to \$1,518,106.

This tract comprises a total of 97 lots, with 73 lots being  $\pm 7,500$  s.f. minimum ( $\pm 70-75$ ' by 105-110') and 24 lots being  $\pm 8,000$  s.f. minimum ( $\pm 70'$  by 115').

These lots were developed in 2003 through early 2006 with a tract of 97 homes called Palomino at 4S Ranch. There are three floor plans, and per builder information the approximate number, size and description of each plan is as follows:

<u>Plan 1</u> (24): 4,152 s.f., two-story, with 4 bedrooms, bonus room, loft, parlor, family room, breakfast nook, 3½ baths, center courtyard and 4-car tandem garage with options of bonus room II, master suite II, den/office and bedroom 5.

<u>Plan 2</u> (37):4,381 s.f., two-story, with 5 bedrooms, bonus room, family room, breakfast nook,  $4\frac{1}{2}$  baths and 4-car tandem garage with options of master retreat, super family room, bedroom 6 and bath 5.

<u>Plan 3</u> (36):4,595 s.f., two-story, with 5 bedrooms, bonus room, den, family room, breakfast nook,  $4\frac{1}{2}$  baths and 4-car tandem garage with options of master retreat, theatre, bedroom 6, and office.

Per Assessor data, the homes in this tract range in size from 4,132 s.f. to 4,632 s.f. or an average of 4,496 s.f.

#### ANALYSIS

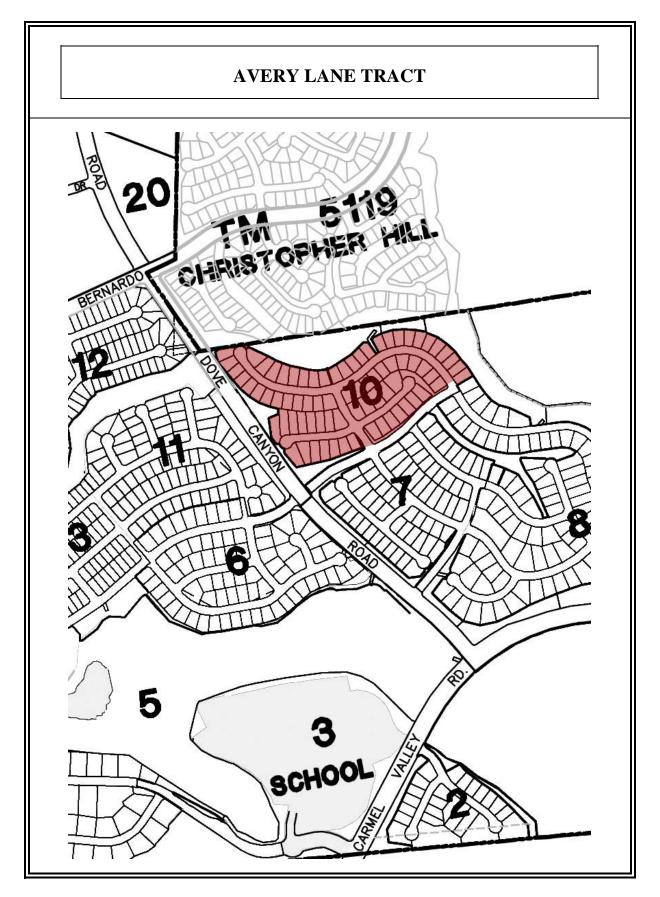
Per the spreadsheet on the following pages, the following data is indicated:

• Total A.V. for tract:	\$83	3,761,410
• Average A.V. for tra	act: \$86	53,520
• Variance from sale	price to A.V.: -2.5	5% to +7.5%, or avg. of +2.5%

It is noted that the 1 conventional sale indicates +7.5% and the 1 short sale indicates -2.5%. Thus, the average variance of +2.5% as being representative for the overall tract tends to be on the conservative side.

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	<b>Price</b>	VAR AV
312-263-33-00	4,432	778,151				
312-263-34-00	4,550	786,037				
312-263-35-00	4,570	772,942				
312-263-36-00	4,432	747,747				
312-263-37-00	4,136	729,105				
312-263-38-00	4,595	877,000				
312-263-39-00	4,432	830,000				
312-263-40-00	4,550	802,238				
312-263-41-00	4,570	818,662				
312-264-01-00	4,432	798,909				
312-264-02-00	4,570	876,038				
312-264-03-00	4,136	800,000	Jun-11	Short	780,000	-2.5%
312-264-04-00	4,432	811,557				
312-264-05-00	4,570	837,863				
312-264-06-00	4,550	904,449				
312-264-07-00	4,632	865,122				
312-264-08-00	4,570	863,377				
312-264-09-00	4,432	830,000				
312-264-10-00	4,550	865,524				
312-264-11-00	4,632	917,000				
312-264-12-00	4,570	850,000				
312-264-13-00	4,570	800,018	May-11	Conv	860,000	+7.5%
312-264-14-00	4,550	856,400				
312-264-15-00	4,432	767,835				
312-264-16-00	4,570	813,335				
312-264-17-00	4,432	825,000				
312-264-18-00	4,570	850,000				
312-264-19-00	4,432	897,000				
312-264-20-00	4,136	929,755				
312-264-21-00	4,570	860,000				
312-264-22-00	4,632	875,000				
312-264-23-00	4,136	800,000				
312-264-24-00	4,570	884,201				
312-264-25-00	4,432	830,000				
312-264-26-00	4,570	817,775				
312-264-27-00	4,632	813,435				
312-264-28-00	4,550	892,678				
312-264-29-00	4,432	900,000				
312-264-30-00	4,570	900,000				
312-264-31-00	4,550	946,070				
312-264-32-00	4,570	885,470				
312-264-33-00	4,550	873,897				
312-264-34-00	4,632	853,287				
312-264-35-00	4,450	830,000				
312-264-36-00	4,570	925,000				
312-264-37-00	4,432	825,000				
312-264-38-00	4,570	900,000				
312-264-39-00	4,632	875,000				
312-264-40-00	4,570	850,000				
312-264-41-00	4,550	919,000				
312-264-42-00	4,432	794,060				
312-264-43-00	4,570	927,000				
312-265-01-00	4,570	824,533				
312-265-02-00	4,432	855,392				
312-265-03-00	4,550	923,904				
312-265-04-00	4,570	822,313				
312-265-05-00	4,136	864,000				

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	Price	<u> VAR AV</u>
312-265-06-00	4,570	874,535				
312-265-07-00	4,132	859,431				
312-265-08-00	4,432	830,000				
312-265-09-00	4,570	898,887				
312-265-10-00	4,432	900,000				
312-265-11-00	4,570	850,000				
312-265-12-00	4,432	830,000				
312-265-13-00	4,550	832,302				
312-265-14-00	4,432	813,998				
312-265-15-00	4,570	850,000				
312-265-16-00	4,632	900,000				
312-265-17-00	4,136	900,000				
312-265-18-00	4,570	854,369				
312-265-19-00	4,550	850,000				
312-265-20-00	4,432	830,000				
312-265-21-00	4,570	850,000				
312-280-01-00	4,432	875,000				
312-280-02-00	4,570	850,000				
312-280-03-00	4,632	875,000				
312-280-04-00	4,570	1,518,106				
312-280-05-00	4,432	871,000				
312-280-06-00	4,570	850,000				
312-280-07-00	4,570	850,000				
312-280-08-00	4,136	859,000				
312-280-09-00	4,136	900,000				
312-280-10-00	4,432	887,000				
312-280-11-00	4,570	850,000				
312-280-12-00	4,632	875,000				
312-280-13-00	4,632	900,000				
312-280-14-00	4,570	850,000				
312-280-15-00	4,632	875,000				
312-280-16-00	4,570	875,000				
312-280-17-00	4,632	950,000				
312-280-18-00	4,136	900,000				
312-280-19-00	4,570	850,000				
312-280-20-00	4,632	904,626				
312-280-21-00	4,632	900,000				
312-280-22-00	4,570	850,000				
312-280-23-00	4,136	856,077				
312-280-24-00	4,632	899,000				
TOTAL		83,761,410			1,640,000	
NO. PARCELS		97			2	
AVERAGE		863,520			820,000	+2.5%
MINIMUM						-2.5%
MAXIMUM						+7.5%



### AVERY LANE TRACT

## **PROPERTY DATA**

This tract is located at the northeast corner of Dove Canyon Rd. and Dove Creek Rd., extending north and east to the northeasterly side of Cayenne Ridge Rd.

This tract is described as Lots 235 to 309 of County of San Diego Tract No. 5216-2 according to Map No. 14510. The tract comprises Assessor Parcel Nos. 312-270-01 to 46 and 312-271-01 to 29, and the assessed values range from \$693,261 to \$900,000.

This tract comprises a total of 75 lots. The minimum lot size is approximately 6,300 s.f., or  $\pm 60$ ' by 105'.

These lots were developed in 2003 and 2004 with a tract of 75 homes called Avery Lane at 4S Ranch. There are three floor plans, and per builder information the approximate number, size and description of each plan is as follows:

<u>Plan 1</u> ( $\pm$ 20): 3,390 s.f., two-story, with 3 bedrooms, master sitting area, bonus room, den, family room, breakfast nook, 3½ baths and 3-car tandem garage with options of bedrooms 4, 5 and 6, and baths 4 and 5.

<u>Plan 2 ( $\pm 25$ )</u>: 3,678 s.f., two-story, with 5 bedrooms, loft, family room, breakfast nook, 4½ baths and 3-car tandem garage with options of media room, office, super family room and bedroom 6.

<u>Plan 3 ( $\pm$ 30)</u>: 3,843 s.f., two-story, with 5 bedrooms, master sitting area, loft, bonus room, family room, breakfast nook, 4½ baths and 4-car tandem garage with options of office, media room, bedrooms 6, 7 and 8.

Per Assessor data, the homes in this tract range in size from 3,423 s.f. to 3,964 s.f. or an average of 3,670 s.f.

#### ANALYSIS

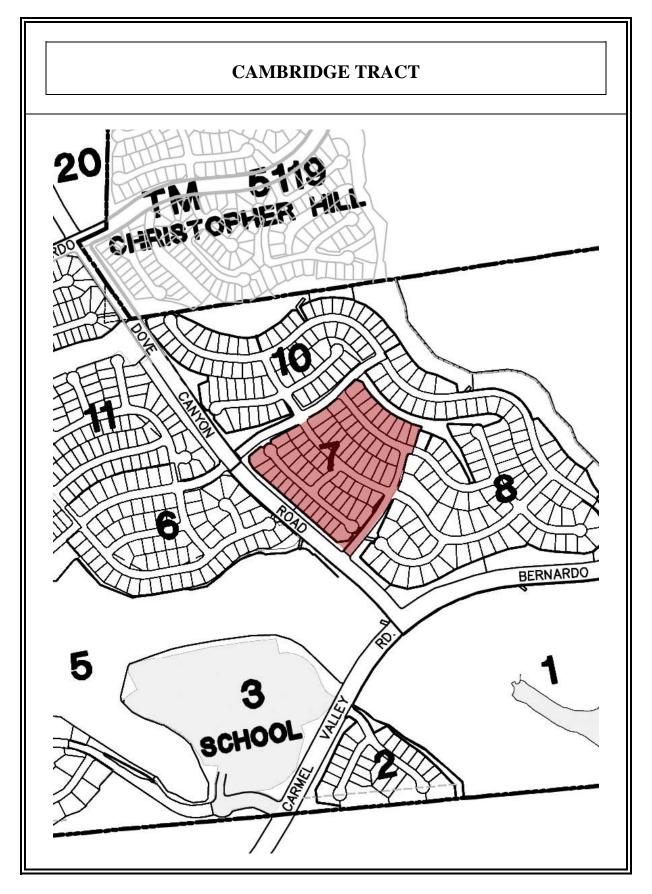
Per the spreadsheet on the following pages, the following data is indicated:

٠	Total A.V. for tract:	\$58,626,544
٠	Average A.V. for tract:	\$781,687
٠	Variance from sale price to A.V.:	+2.5% to +7.7%, or avg. of +5.1%

It is noted that the 2 sales in this tract were both conventional sales, thus the average variance indication at +5.1% would tend to be more representative of market value.

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	PRICE	VAR AV
312-270-01-00	3,423	717,204				
312-270-02-00	3,733	749,216				
312-270-03-00	3,756	800,000				
312-270-04-00	3,423	739,741				
312-270-05-00	3,756	800,000				
312-270-06-00	3,733	771,277				
312-270-07-00	3,756	725,846				
312-270-08-00	3,733	774,884				
312-270-09-00	3,423	742,222				
312-270-10-00	3,733	767,221				
312-270-11-00	3,756	800,000				
312-270-12-00	3,733	725,000				
312-270-13-00	3,756	830,000				
312-270-14-00	3,756	768,828				
312-270-15-00	3,423	833,227				
312-270-16-00	3,733	775,000	Jul-11	Conv	835,000	+7.7%
312-270-17-00	3,756	794,970				
312-270-18-00	3,733	831,753				
312-270-19-00	3,423	775,000				
312-270-20-00	3,733	775,000				
312-270-21-00	3,423	775,000				
312-270-22-00	3,756	800,000				
312-270-23-00	3,733	763,315				
312-270-24-00	3,756	775,271				
312-270-25-00	3,423	841,303				
312-270-26-00	3,756	800,000				
312-270-27-00	3,733	775,000				
312-270-28-00	3,756	800,000				
312-270-29-00	3,423	775,000				
312-270-30-00	3,756	800,000				
312-270-31-00	3,733	775,000				
312-270-32-00	3,756	830,000				
312-270-33-00	3,423	775,000				
312-270-34-00	3,733	775,000				
312-270-35-00	3,756	810,000				
312-270-36-00	3,424	775,000				
312-270-37-00	3,733	850,000				
312-270-38-00	3,756	800,000				
312-270-39-00	3,613	750,000				
312-270-40-00	3,901	900,000				
312-270-41-00	3,964	850,000				
312-270-42-00	3,423	732,790				
312-270-43-00	3,756	750,000				
312-270-44-00	3,423	762,627				
312-270-45-00	3,756	785,572				
312-270-46-00	3,733	775,000				
312-271-01-00	3,756	800,000				
312-271-02-00	3,423	775,000				
312-271-03-00	3,733	775,000				
312-271-04-00	3,756	840,000				
312-271-05-00	3,423	775,000				
312-271-06-00	3,733	775,000				
312-271-07-00	3,756	830,000				
312-271-08-00	3,733	850,000				
312-271-09-00	3,423	731,519				
312-271-10-00 312-271-11-00	3,756 3 733	793,682 831.000				
512-2/1-11-00	3,733	831,000				

			SALE	SALE		
<u>APN</u>	<u>SF</u>	AV	DATE	<u>TYPE</u>	PRICE	<u>VAR AV</u>
312-271-12-00	3,756	759,624				
312-271-13-00	3,423	800,000				
312-271-14-00	3,733	715,345				
312-271-15-00	3,756	800,000				
312-271-16-00	3,423	746,417				
312-271-17-00	3,756	725,998				
312-271-18-00	3,733	757,549				
312-271-19-00	3,756	800,000	Jul-11	Conv	820,000	+2.5%
312-271-20-00	3,733	735,430				
312-271-21-00	3,964	800,000				
312-271-22-00	3,733	719,452				
312-271-23-00	3,423	693,261				
312-271-24-00	3,756	800,000				
312-271-25-00	3,733	775,000				
312-271-26-00	3,423	775,000				
312-271-27-00	3,733	775,000				
312-271-28-00	3,756	800,000				
312-271-29-00	3,733	775,000				
TOTAL		58,626,544			1,655,000	
NO. PARCELS		75			2	
AVERAGE		781,687			827,500	+5.1%
MINIMUM						+2.5%
MAXIMUM						+7.7%



### **CAMBRIDGE TRACT**

## **PROPERTY DATA**

This tract is located at the southeast corner of Dove Canyon Rd. and Dove Creek Rd., extending south to Painted Canyon Rd. and east to the east side of Falcon Crest Dr.

This tract is described as Lots 310 to 374 of County of San Diego Tract No. 5216-2 according to Map No. 14510. The tract comprises Assessor Parcel Nos. 312-272-01 to 29 and 312-273-01 to 36, and the assessed values range from \$604,800 to \$868,927.

This tract comprises a total of 65 lots. The minimum lot size is approximately 6,300 s.f., or  $\pm 60$ ' x 105'.

These lots were developed in 2003 and 2004 with a tract of 65 homes called Cambridge at 4S Ranch. There are three floor plans, and per builder information the number, size and description of each plan is as follows:

<u>Plan 1</u> (17): 2,814 s.f., two-story, with 4 bedrooms, family room, breakfast nook,  $2\frac{1}{2}$  baths and 3-car tandem garage with options of loft, super family room, den, bedroom 5 and baths 3 and 4.

<u>Plan 2</u> (23): 3,157 s.f., two-story, with 5 bedrooms, den, family room, breakfast nook,  $2\frac{1}{2}$  baths and 3-car tandem garage with options of master suite, double bedroom, loft, study, super family room, bedroom 6 and baths 3 and 4.

<u>Plan 3</u> (25): 3,392 s.f., two-story, with 5 bedrooms, tech center, den, family room, breakfast nook, 2½ baths and 3-car tandem garage with options of loft, study, super family room, butler's pantry, bedrooms 6 and 7, and baths 3,4 and 5.

Per Assessor data, the homes in this tract range in size from 2,824 s.f. to 3,652 s.f. or an average of 3,214 s.f.

#### ANALYSIS

Per the spreadsheet on the following pages, the following data is indicated:

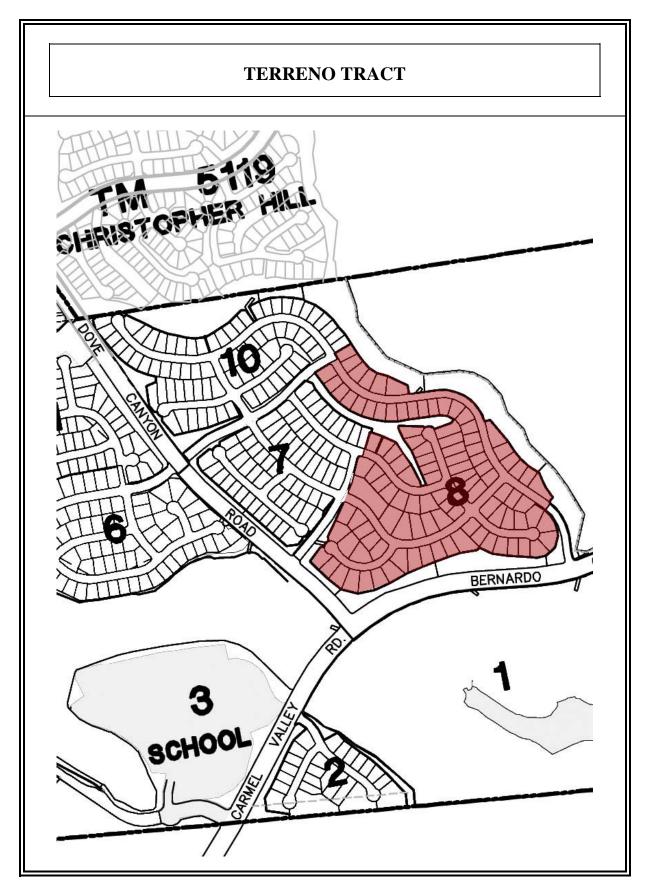
•	Total A.V. for tract:	\$45,178,089
•	Average A.V. for tract:	\$695,048
•	Variance from sale price to A.V.:	n/a

It is noted that there have been no sales in this tract thus far in 2011, and there are no current listings. The only activity in 2011 thus far was a listing on APN 312-273-26 (A.V. of 800,000) that expired on January 6 at 810,000, which is +1.3% compared to the A.V.

<u>APN</u>	<u>SF</u>	<u>AV</u>
312-272-01-00	3,207	653,641
312-272-02-00	3,430	653,864
312-272-03-00	3,207	657,415
312-272-04-00	3,011	628,671
312-272-05-00	3,207	678,944
312-272-06-00	3,430	644,752
312-272-07-00	3,207	720,000
312-272-08-00	3,430	720,032
312-272-09-00	2,824	630,000
312-272-10-00	3,207	654,790
312-272-11-00	3,430	686,779
312-272-12-00	3,207	641,423
312-272-13-00	2,824	758,881
312-272-14-00	3,430	725,000
312-272-15-00	3,207	675,617
312-272-16-00	3,430	652,520
312-272-17-00	2,824	659,196
312-272-18-00	3,430	686,490
312-272-19-00	3,207	680,000
312-272-20-00	3,430	750,000
312-272-21-00	2,824	609,838
312-272-22-00	3,430	700,000
312-272-23-00	3,207	676,627
312-272-24-00	3,430	774,000
312-272-25-00	3,207	680,000
312-272-26-00	3,430	725,000
312-272-27-00	3,207	716,438
312-272-28-00	3,652	868,927
312-272-29-00	3,011	737,216
312-273-01-00	3,652	829,240
312-273-02-00	3,207	700,000
312-273-03-00	2,824	700,000
312-273-04-00	3,207	680,000
312-273-05-00	2,824	630,000
312-273-06-00	2,824	674,000
312-273-07-00	3,207	730,458
312-273-08-00	3,430	721,720
312-273-09-00	3,207	680,000
312-273-10-00	2,824	650,000
312-273-11-00	3,652	711,337
312-273-12-00	2,824	650,000
312-273-13-00	3,430	775,000
312-273-14-00	2,824	630,000
312-273-15-00	3,430	725,000
312-273-16-00	3,207	700,000
312-273-17-00	3,430	725,000
312-273-18-00	2,824	610,243
312-273-19-00	3,207	683,495
312-273-20-00	3,430	708,623
312-273-21-00	3,207	680,000
312-273-22-00	2,824	650,505
312-273-23-00	3,207	658,002
312-273-24-00	3,430	846,000
312-273-25-00	3,207	635,874
312-273-26-00	3,430	800,000
312-273-27-00	3,207	848,750
312-273-28-00	3,430	750,000

SALE	SALE		
DATE	<u>TYPE</u>	PRICE	<u> VAR AV</u>

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	PRICE	<u> VAR AV</u>
312-273-29-00	2,824	630,000				
312-273-30-00	3,430	696,201				
312-273-31-00	3,207	750,000				
312-273-32-00	3,028	604,800				
312-273-33-00	3,207	641,423				
312-273-34-00	3,430	711,337				
312-273-35-00	2,989	607,020				
312-273-36-00	3,648	708,000				
TOTAL		45,178,089				
NO. PARCELS		65				
AVERAGE		695,048				
MINIMUM						
MAXIMUM						



# **TERRENO TRACT**

# **PROPERTY DATA**

This tract is located at northerly corner of Dove Canyon Rd. and Bernardo Center Dr., extending east to Cayenne Ridge Rd. and north to Painted Canyon Rd. and Dove Creek Rd.

This tract is described as Lots 375 to 479 of County of San Diego Tract No. 5216-2 according to Map No. 14510. The tract comprises Assessor Parcel Nos. 312-271-30 to 35, 312-272-30 to 38, 312-274-01 to 41, 312-275-01 to 25 and 312-276-01 to 24, and the assessed values range from \$82,652 to \$1,086,552.

This tract comprises a total of 105 lots. The minimum lot size is approximately 8,125 s.f., or  $\pm 65' \times 125'$ .

These lots were developed in 2003 and 2004 with a tract of 105 homes called Terreno at 4S Ranch. There are four floor plans, and per builder information the number, size and description of each plan is as follows:

Plan 1 (20): 3,175 s.f., one-story, with 4 bedrooms, study, 3 baths and 3-car tandem garage.

<u>Plan 1X</u> (15): 3,918 s.f., two-story, with 5 bedrooms, study, loft, tech center, 4 baths and 3-car tandem garage.

<u>Plan 2</u> (33): 3,802 s.f., two-story, with 5 bedrooms, master retreat, study, loft,  $4\frac{1}{2}$  baths and 3-car garage.

<u>Plan 3</u> (37): 3,990 s.f., two-story, with 5 bedrooms, study, tech center,  $4\frac{1}{2}$  baths and 3-car garage with optional casitas at third car garage.

Per Assessor data, the homes in this tract range in size from 3,175 s.f. to 4,288 s.f. or an average of 3,781 s.f.

### ANALYSIS

Per the spreadsheet on the following pages, the following data is indicated:

• Total A.V. for tract:	\$85,737,237
• Average A.V. for tract:	\$816,545
• Variance from sale price to A.V.:	-7.1% to +9.3%, or avg. of +1.1%

It is noted that the 1 conventional sale indicates -7.1% and the 1 short sale indicates +9.3%, which is fairly atypical. However, the average variance of +1.1% would tend to be on the conservative side as representative of the overall tract.

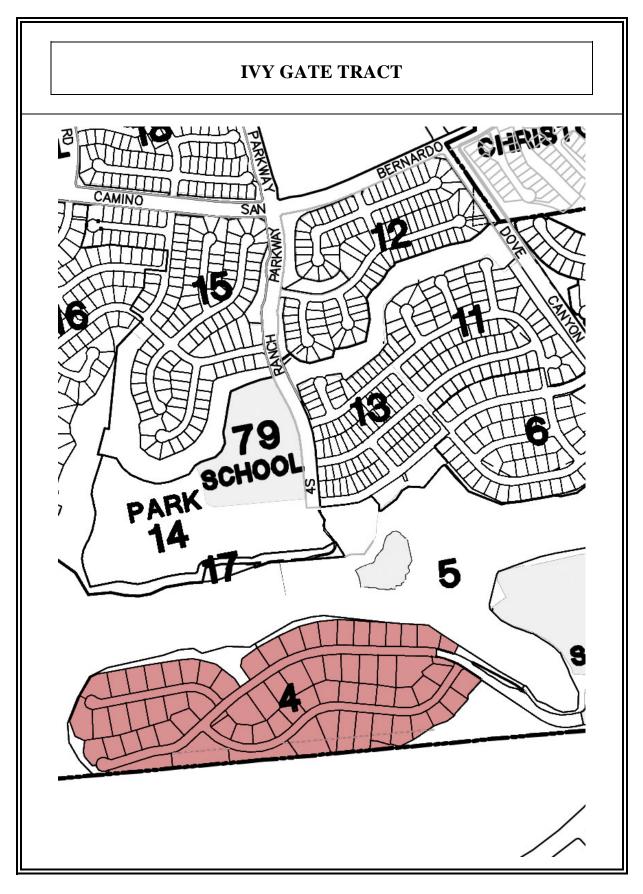
<u>APN</u>	<u>SF</u>	<u>AV</u>
312-271-30-00	3,990	860,000
312-271-31-00	3,918	812,227
312-271-32-00	3,990	885,618
312-271-33-00	3,175	750,609
312-271-34-00	3,802	790,000
312-271-35-00	3,175	742,000
312-272-30-00	3,990	860,000
312-272-31-00	3,802	916,851
312-272-32-00	3,990	860,000
312-272-33-00	3,802	850,000
312-272-34-00	3,990	860,000
312-272-35-00	3,802	850,000
312-272-36-00	3,990	860,000
312-272-37-00	3,802	930,000
312-272-38-00	3,990	846,325
312-274-01-00	3,175	750,000
312-274-02-00	3,802	850,000
312-274-03-00	3,918	806,000
312-274-04-00	3,802	960,000
312-274-05-00	3,175	700,000
312-274-06-00	3,990	860,000
312-274-07-00	3,802	781,496
312-274-08-00	3,918	879,498
312-274-09-00	3,802	917,000
312-274-10-00	3,990	800,000
312-274-11-00	3,802	857,407
312-274-12-00	3,990	860,000
312-274-13-00	3,990	751,190
312-274-14-00	3,802	790,000
312-274-15-00	3,990	920,000
312-274-16-00	3,802	793,693
312-274-17-00	3,990	757,847
312-274-18-00	3,802	760,180
312-274-19-00	3,175	82,652
312-274-20-00	3,990	807,788
312-274-21-00	3,802	863,276
312-274-22-00	3,918	772,000
312-274-23-00	3,990	860,000
312-274-24-00	3,175	744,000
312-274-25-00	3,802	788,921
312-274-26-00	3,918	775,000
312-274-27-00	3,802	930,000
312-274-28-00	4,288	918,000
312-274-29-00	3,802	850,000
312-274-30-00	3,175	720,000
312-274-31-00	3,990	922,000
312-274-32-00	3,802	846,000
312-274-33-00	4,288	900,000
312-274-34-00	3,175	775,000
312-274-35-00	4,288	850,000
312-274-36-00	3,802	866,474
312-274-37-00	3,918	860,000
312-274-38-00	3,990	875,000
312-274-39-00	3,802	850,000
312-274-40-00	3,175	700,000
312-274-41-00	4,288	915,000
312-275-01-00	3,175	743,557
		-

SALE	
DATE	

<u>TYPE</u>

PRICE VAR. - AV

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	PRICE	<u> VAR AV</u>
312-275-02-00	3,802	768,945				
312-275-03-00	3,175	699,030				
312-275-04-00	3,802	845,824				
312-275-05-00	3,990	860,000				
312-275-06-00	3,918	791,000				
312-275-07-00	3,802	850,000				
312-275-08-00	4,100	895,000				
312-275-09-00	4,288	830,000				
312-275-10-00	3,802	850,000				
312-275-11-00	3,918	809,000				
312-275-12-00	3,990	800,000				
312-275-13-00	3,175	737,000				
312-275-14-00	3,918	1,086,552				
312-275-15-00	3,990	877,000	Escrow	Conv	815,000	-7.1%
312-275-16-00	3,802	900,000				
312-275-17-00	3,990	900,000				
312-275-18-00	3,918	860,000				
312-275-19-00	3,802	900,000				
312-275-20-00	3,990	850,701				
312-275-21-00	3,175	750,000				
312-275-22-00	3,802	851,362				
312-275-23-00	3,175	715,000				
312-275-24-00	3,990	860,000	Apr-11	Short	940,000	+9.3%
312-275-25-00	3,175	750,000				
312-276-01-00	3,802	825,000				
312-276-02-00	3,175	742,000				
312-276-03-00	3,990	783,857				
312-276-04-00	3,918	806,023				
312-276-05-00	3,990	811,116				
312-276-06-00	3,175	720,000				
312-276-07-00	3,802	834,180				
312-276-08-00	3,990	800,000				
312-276-09-00	3,802	780,000				
312-276-10-00	3,918	782,000				
312-276-11-00	3,990	860,000				
312-276-12-00	3,175	750,000				
312-276-13-00	3,802	850,000				
312-276-14-00	3,918	795,000				
312-276-15-00	3,990	833,000				
312-276-16-00	3,802	802,240				
312-276-17-00	3,175	700,000				
312-276-18-00	3,175	700,000				
312-276-19-00	3,990	783,000				
312-276-20-00	3,802	900,000				
312-276-21-00	3,175	700,000				
312-276-22-00	3,990	835,000				
312-276-23-00	3,918	775,798				
312-276-24-00	3,990	850,000				
TOTAL		85,737,237			1,755,000	
NO. PARCELS		105			2	
AVERAGE		816,545			877,500	+1.1%
MINIMUM						-7.1%
MAXIMIM						+9.3%



# IVY GATE TRACT

# **PROPERTY DATA**

This tract is located at the southerly end of the 4S Ranch community, nearby to the northwest of Carmel Valley Rd. at Winecreek Rd.

This tract is described as Lots 520 through 585 of County of San Diego Tract No. 5216-3, according to Map No. 14978, recorded March 9, 2005. The tract comprises Assessor Parcel Nos. 312-281-01 to 03, 312-282-01 to 35, and 312-283-01 to 28, and the assessed values range from \$795,655 to \$1,778,531.

This tract comprises a total of 66 lots. The minimum lot size is  $\pm 15,000$  s.f. (pad), but the average size is closer to 20,000 s.f.

These lots were developed in 2005 and 2006 with a tract of 66 homes called Ivy Gate at 4S Ranch. There are four floor plans, and builder information is as follows:

<u>Plan 1</u> (10): 3,820 s.f., one-story, with 4 bedrooms, teen room, study, family room, breakfast nook,  $3\frac{1}{2}$  baths, courtyard and 3-space garage with options of exercise room, guest suite, bedroom 5 and bath 4.

<u>Plan 2</u> (18): 4,205 s.f., one-story, with 4 bedrooms, teen room, office, family room, breakfast nook,  $4\frac{1}{2}$  baths, garden patio and 4-space garage with options of exercise room, guest suite and bedroom 5.

<u>Plan 3</u> (18): 4,849 s.f., two-story, with 5 bedrooms, master sitting room, teen room, computer center, office, family room, breakfast nook,  $5\frac{1}{2}$  baths and 3-car garage with options of game room, media room, bedroom 6 and bath 6.

<u>Plan 4</u> (20): 5,359 s.f., two-story, with 5 bedrooms, master sitting room, bonus room, tech center, office, media room, family room, breakfast nook,  $5\frac{1}{2}$  baths and 4-car split garage.

Per Assessor data, the homes in this tract range in size from 3,819 s.f. to 5,429 s.f. or an average of 4,642 s.f.

### ANALYSIS

Per the spreadsheet on the following pages, the following data is indicated:

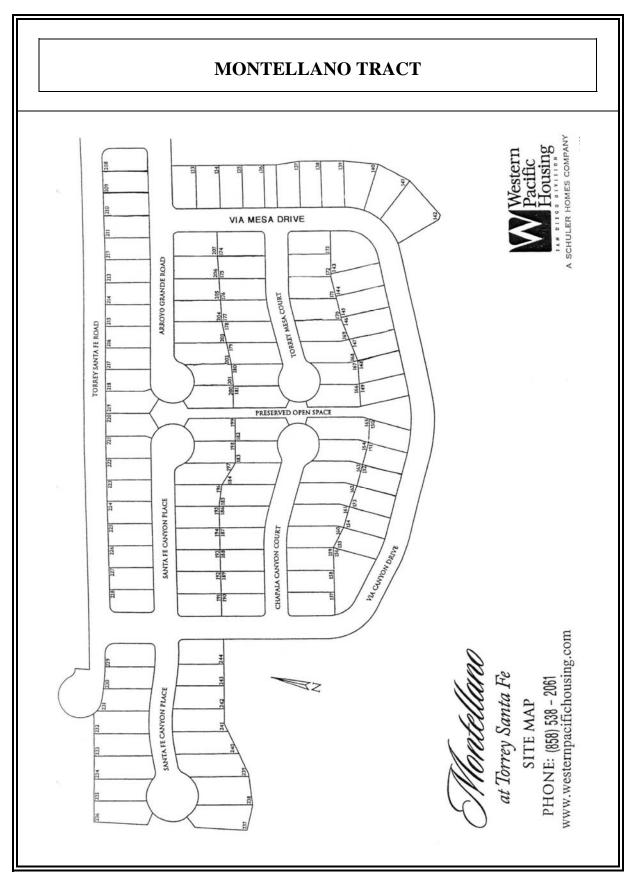
٠	Total A.V. for tract:	\$81,504,960
٠	Average A.V. for tract:	\$1,234,924
٠	Variance from sale price to A.V.:	-23.0% to +23.6%, or avg. of +1.3%

It is noted that of the 9 sales, the 5 conventional sales indicate the range of -6.0% to +23.6%, and the 4 short sales indicate the range of -23.0% to +7.1%. Thus, since 4 of the 9 sales were short sales, on average the sale prices would tend to be at least slightly on the conservative side, resulting in the average variance of +1.3% as representative for the overall tract being on the conservative side.

			SALE	SALE		
APN	SF	AV	DATE	TYPE	PRICE	VAR AV
312-281-01-00	5,361	1,372,000	<u></u>	<u></u>	<u></u>	<u></u>
312-281-02-00	3,819	1,080,000				
312-281-03-00	4,205	1,170,000	Jul-11	Conv	1,100,000	-6.0%
312-282-01-00	3,819	1,000,000			_,,	
312-282-02-00	4,205	1,100,000				
312-282-03-00	5,106	1,360,165				
312-282-04-00	5,361	1,294,000				
312-282-05-00	3,819	1,000,000				
312-282-06-00	3,819	1,165,711				
312-282-07-00	5,429	1,522,304				
312-282-08-00	4,854	1,100,000	May-11	Conv	1,360,000	+23.6%
312-282-09-00	4,205	1,087,562	•			
312-282-10-00	5,361	1,300,000				
312-282-11-00	4,205	1,200,000				
312-282-12-00	4,854	1,309,789				
312-282-13-00	4,205	1,152,000				
312-282-14-00	5,106	1,300,000				
312-282-15-00	3,819	1,150,000				
312-282-16-00	4,205	795,655				
312-282-17-00	5,361	1,385,353				
312-282-18-00	4,205	1,311,005				
312-282-19-00	5,361	1,350,000				
312-282-20-00	4,205	1,170,000				
312-282-21-00	3,819	1,080,000				
312-282-22-00	5,361	1,410,542				
312-282-23-00	3,819	1,259,412				
312-282-24-00	4,205	1,271,101				
312-282-25-00	5,361	1,300,000				
312-282-26-00	5,177	1,050,000				
312-282-27-00	4,205	1,091,883				
312-282-28-00	5,361	1,642,273				
312-282-29-00	4,205	1,250,000				
312-282-30-00	5,361	1,250,000				
312-282-31-00	5,177	1,294,000				
312-282-32-00	4,205	1,097,906				
312-282-33-00	5,361	1,300,000				
312-282-34-00	4,854	1,218,015				
312-282-35-00	4,205	1,314,825				
312-283-01-00	5,177	1,198,960				
312-283-02-00	3,819	1,175,000				
312-283-03-00	4,854	1,270,000				
312-283-04-00	5,361	1,364,000	May-11	Short	1,050,000	-23.0%
312-283-05-00	4,205	1,170,000				
312-283-06-00	5,361	1,778,531				
312-283-07-00	4,205	1,170,000	May-11	Short	1,065,000	-9.0%
312-283-08-00	4,854	1,147,000				
312-283-09-00	5,177	1,200,000				
312-283-10-00	3,819	1,080,000	Jul-11	Short	950,000	-12.0%
312-283-11-00	5,361	1,450,000				
312-283-12-00	4,205	1,016,196				
312-283-13-00	5,361	1,350,000				
312-283-14-00	3,819	1,000,000	Jun-11	Conv	1,075,000	+7.5%
312-283-15-00	3,819	1,235,000	Mar-11	Conv	1,235,000	+0.0%
312-283-16-00	3,819	1,413,831				
312-283-17-00	5,361	1,399,000				
312-283-18-00	4,205	1,170,000				
312-283-19-00	5,177	1,500,000				

SALE SALE	
<u>APN SF AV DATE TYPE PRICE</u>	<u>VAR AV</u>
312-283-20-00 4,205 1,306,683	
312-283-21-00 5,361 1,250,000 Jul-11 Short 1,339,000	+7.1%
312-283-22-00 4,854 982,845	
312-283-23-00 4,854 1,100,000	
312-283-24-00 5,361 1,300,000	
312-283-25-00 3,819 1,080,000	
312-283-26-00 4,854 1,130,903 Aug-11 Conv 1,395,000	+23.4%
312-283-27-00 4,205 1,100,000	
312-283-28-00 5,361 1,661,510	
TOTAL 81,504,960 10,569,000	
NO. PARCELS 66 9	
AVERAGE 1,234,924 1,174,333	+1.3%
MINIMUM	-23.0%
MAXIMUM	+23.6%

CFD NO. 10 – IMPROVEMENT AREA A



# MONTELLANO TRACT

# **PROPERTY DATA**

This tract is located along the south side of Torrey Santa Fe Rd., extending west from Latigo Canyon Pl.

This overall tract is described as Lots 133 to 244 of County of San Diego Tract No. 14275 – Torrey Santa Fe Unit 4; however, Lot 157 has prepaid the special taxes and is <u>not included</u> in this analysis. The 111 lots included in this analysis comprise Assessor Parcel Nos. 306-320-01 to 53 and 306-321-01 to 07 & 09 to 59. The assessed values range from \$320,804 to \$850,000.

This overall tract comprises a total of 112 lots, though only 111 are included in this analysis. The minimum lot size is  $\pm 5,000$  s.f., or  $\pm 50^{\circ}$  by 100<sup>\circ</sup>.

These lots were developed in 2002 and 2003 with a tract of homes called Montellano at Torrey Santa Fe. There are three floor plans, and per builder information the size and description of each plan is as follows:

<u>Plan 1</u>: 3,331 s.f., two-story, with 4 bedrooms, 2½ baths, master retreat, bonus room, living room, dining room, family room, nook and a 3-car tandem garage; optional bedroom 5/bath 3 or super family room.

<u>Plan 2</u>: 3,246 s.f., two-story, with 4 bedrooms, 4 baths, loft, living room, dining room, family room, nook and a 2-car garage; optional master retreat, bedroom 5 and detached office or guest suite.

<u>Plan 3</u>: 3,864 s.f., two-story, with 5 bedrooms, 4½ baths, loft, living room, dining room, family room, nook and a 3-car split garage; optional bedroom 6 and office.

Per Assessor data, the homes in this tract range in size from 3,246 s.f. to 3,864 s.f. or an average of 3,513 s.f.

# ANALYSIS

Per the spreadsheet on the following page, the following data is indicated:

•	Total A.V. for 111 parcels:	\$80,201,312
•	Average A.V. for 111 parcels:	\$722,534
٠	Variance from sale price to A.V.:	-7.8% to +4.0%, or avg. of -1.6%

It is noted that of the 4 sales, the 2 conventional sales indicate +3.9% and +4.0%, and the 2 short sales indicate -6.4% and -7.8%. Thus, since 2 of the 4 sales were short sales, on average the sale prices would tend to be at least slightly on the conservative side, resulting in the average variance of -1.6% as representative for the overall tract being on the conservative side.

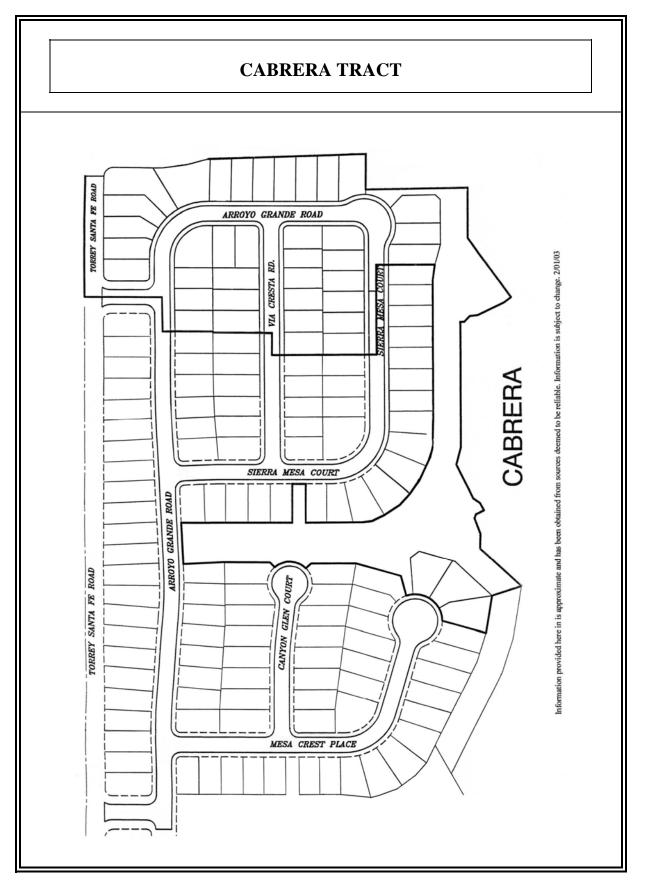
			SALE	CALE	
APN	<u>SF</u>	۸٧	SALE DATE	SALE TYPE	DRICE
306-320-01-00	<u>3,</u> 3,331	<u>AV</u> 740,000	DATE	IIFL	PRICE
306-320-02-00	3,864	830,000			
306-320-03-00	3,246	741,000			
306-320-03-00	3,864	748,749			
306-320-05-00	3,864	830,000			
306-320-06-00	3,520	742,037			
306-320-07-00	3,246	790,000			
306-320-08-00	3,520	784,545			
306-320-09-00	3,864	817,020			
306-320-10-00	3,246	780,000			
306-320-11-00	3,864	840,800			
306-320-12-00	3,331	684,656			
306-320-13-00	3,246	720,000			
306-320-14-00	3,864	718,411			
306-320-15-00	3,331	688,114			
306-320-16-00	3,331	805,922			
306-320-17-00	3,246	690,375			
306-320-18-00	3,864	752,889			
306-320-19-00	3,331	702,000			
306-320-20-00	3,246	446,624			
306-320-21-00	3,864	708,687			
306-320-22-00	3,246	631,928			
306-320-23-00	3,864	706,539			
306-320-24-00	3,246	725,000			
306-320-25-00	3,331	740,000			
306-320-26-00	3,864	788,690			
306-320-27-00	3,331	740,000			
306-320-28-00	3,864	830,000			
306-320-29-00	3,331	702,000			
306-320-30-00	3,246	654,652			
306-320-31-00	3,864	320,804			
306-320-32-00	3,331	740,000			
306-320-33-00	3,864	730,554			
306-320-34-00	3,864	830,000			
306-320-35-00	3,331	755,647			
306-320-36-00	3,864	742,829			
306-320-37-00	3,864	700,887			
306-320-38-00	3,246	755,000			
306-320-39-00	3,331	740,000			
306-320-40-00	3,864	697,722			
306-320-41-00	3,331	702,000			
306-320-42-00	3,520	730,732			
306-320-43-00	3,246	683,819			
306-320-44-00	3,864	729,038			
306-320-45-00	3,331	702,000			
306-320-46-00	3,864	708,238			
306-320-47-00	3,331	660,417			
306-320-48-00	3,246	628,536			
306-320-49-00	3,864	830,000			
306-320-50-00	3,246	740,000			
306-320-51-00	3,331	702,000	Mar-11	Conv	730,000
306-320-52-00	3,246	720,000			
306-320-53-00	3,864	704,733			
306-321-01-00	3,864	795,283			
306-321-02-00	3,331	723,271			
306-321-03-00	3,864	729,490			

<u>VAR. - AV</u>

+4.0%

<u>APN</u>	<u>SF</u>	<u>AV</u>	DATE	TYPE	PRICE	<u> VAR AV</u>
306-321-04-00	3,246	680,653				
306-321-05-00	3,331	702,922	Aug-11	Conv	730,000	+3.9%
306-321-06-00	3,864	721,690				
306-321-07-00	3,331	740,000				
306-321-09-00	3,331	644,365				
306-321-10-00	3,246	634,187				
306-321-11-00	3,864	830,000				
306-321-12-00	3,246	780,000	Feb-11	Short	730,000	-6.4%
306-321-13-00	3,864	703,487				
306-321-14-00	3,246	682,236				
306-321-15-00	3,331	642,331				
306-321-16-00	3,864	830,000				
306-321-17-00	3,864	830,000				
306-321-18-00	3,331	702,000				
306-321-19-00	3,864	700,661				
306-321-20-00	3,246	790,000				
306-321-21-00	3,331	682,008				
306-321-22-00	3,246	650,920				
306-321-23-00	3,864	803,107				
306-321-24-00	3,246	663,355				
306-321-25-00	3,331	646,060				
306-321-26-00	3,246	667,973				
306-321-27-00	3,331	643,989				
306-321-28-00	3,864	707,783				
306-321-29-00	3,246	740,534				
306-321-30-00	3,331	702,000				
306-321-31-00	3,864	830,000				
306-321-32-00	3,331	638,686				
306-321-33-00	3,246	663,580				
306-321-34-00	3,864	729,350				
306-321-35-00	3,331	723,701				
306-321-36-00	3,246	668,781				
306-321-37-00	3,864	830,000	Escrow	Short	765,000	-7.8%
306-321-38-00	3,331	639,608				
306-321-39-00	3,246	710,000				
306-321-40-00	3,864	693,687				
306-321-41-00	3,246	725,000				
306-321-42-00	3,864	784,512				
306-321-43-00	3,331	702,000				
306-321-44-00	3,246	773,555				
306-321-45-00	3,331	652,049				
306-321-46-00	3,864	655,782				
306-321-47-00	3,246	720,000				
306-321-48-00	3,331	715,000				
306-321-49-00	3,864	780,812				
306-321-50-00	3,246	717,052				
306-321-51-00	3,864	702,129				
306-321-52-00	3,864	789,437				
306-321-53-00	3,331	747,027				
306-321-54-00	3,864	850,000				
306-321-55-00	3,246	688,793				
306-321-56-00	3,864	813,144				
306-321-57-00	3,331	738,779				
306-321-58-00	3,246	717,715				
306-321-59-00	3,331	695,234				

APN	<u>SF</u>	AV	DATE	TYPE	PRICE	<u>VAR AV</u>
TOTAL		80,201,312			2,955,000	
NO. PARCELS		111			4	
AVERAGE		722,534			738,750	-1.6%
MINIMUM						-7.8%
MAXIMUM						+4.0%



# **CABRERA TRACT**

# **PROPERTY DATA**

This tract is located along the south side of Torrey Santa Fe Rd., extending east from Latigo Canyon Pl.

This overall tract is described as Lots 13 to 35, 42 to 52, 55 to 114 & 117 to 132 of County of San Diego Tract No. 14274 – Torrey Santa Fe Units 2 & 3, and Lots 1 to 40 of Tract No. 14592 – Cabrera II; however, Lot 117 of Tract No. 14274 has prepaid the special taxes and is <u>not included</u> in this analysis. The 149 lots included in this analysis comprise Assessor Parcel Nos. 306-310-05 to 27, 34 to 44 & 47 to 62, 306-311-01 to 44, 48 to 62 & 67 to 69 and 306-313-01 to 37. The assessed values range from \$497,854 to \$794,563.

This overall tract comprises a total of 150 lots, though only 149 are included in this analysis. The minimum lot size is  $\pm 4,000$  s.f., or  $\pm 47'$  by 85'.

These lots were developed in 2002 and 2003 with a tract of homes called Cabrera at Torrey Santa Fe. There are three floor plans, and per builder information the size and description of each plan is as follows:

<u>Plan 1</u>: 2,419 s.f., two-story, with 4 bedrooms,  $2\frac{1}{2}$  baths, living room, dining room, family room, nook, covered front porch and a 2-car garage.

<u>Plan 2</u>: 2,766 s.f., two-story, with 4 bedrooms, 2<sup>1</sup>/<sub>2</sub> baths, loft, living room, dining room, family room, covered front porch, 2-car garage; opt. master retreat and bedroom 5/bath 3.

<u>Plan 3</u>: 2,852 s.f., two-story, with 5 bedrooms, 3 baths, loft, living room, dining room, family room, nook, courtyard, covered front porch and a 2-car garage; optional master retreat and bedroom 6.

Per Assessor data, the homes in this tract range in size from 2,329 s.f. to 2,858 s.f. or an average of 2,674 s.f.

### ANALYSIS

Per the spreadsheet on the following page, the following data is indicated:

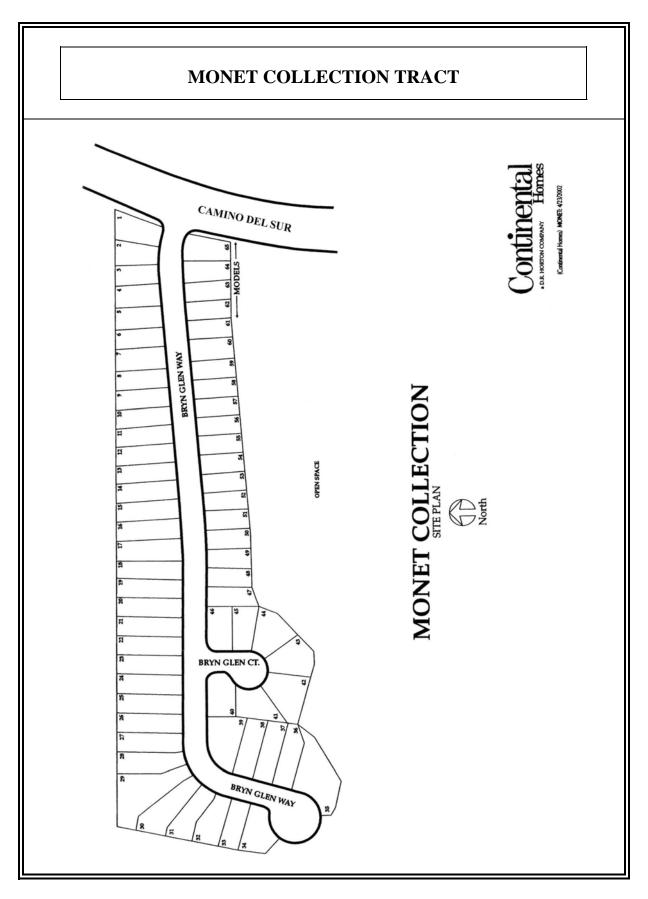
٠	Total A.V. for tract:	\$93,472,674
٠	Average A.V. for tract:	\$627,333
٠	Variance from sale price to A.V.:	-14.2% to +10.0%, or avg. of +0.8%

It is noted that of the 8 sales, the 6 conventional sales indicate the range of -1.6% to +10.0%, the short sale indicates -14.2% and the lender sale indicates -2.4%. Thus, since only 2 of the 8 sales were short or lender sales, the average variance of +0.8% as representative for the overall tract would tend to be only slightly on the conservative side.

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	PRICE	<u> VAR AV</u>
306-310-05-00	2,757	670,703				
306-310-06-00	2,329	650,000				
306-310-07-00	2,757	660,418				
306-310-08-00	2,858	712,000				
306-310-09-00	2,329	621,756				
306-310-10-00	2,858	712,000				
306-310-11-00	2,329	657,704				
306-310-12-00	2,858	714,000	1 . 11	<b>C</b>	605 000	4 69/
306-310-13-00	2,757	706,000	Jun-11	Conv	695,000	-1.6%
306-310-14-00	2,858	710,383				
306-310-15-00 306-310-16-00	2,757 2,858	702,093 745,000				
306-310-17-00	2,329	561,726				
306-310-18-00	2,858	682,493				
306-310-19-00	2,757	600,953				
306-310-20-00	2,329	573,371				
306-310-21-00	2,858	627,519				
306-310-22-00	2,329	759,133				
306-310-23-00	2,757	620,494				
306-310-24-00	2,858	778,316				
306-310-25-00	2,757	628,312				
306-310-26-00	2,329	585,353				
306-310-27-00	2,858	613,163				
306-310-34-00	2,329	555,174				
306-310-35-00	2,757	583,090				
306-310-36-00	2,858	604,345				
306-310-37-00	2,329	497,854				
306-310-38-00	2,757	589,309				
306-310-39-00	2,858	794,563				
306-310-40-00	2,757	664,000				
306-310-41-00	2,329	566,700				
306-310-42-00 306-310-43-00	2,858 2,757	587,049 572,241				
306-310-43-00	2,329	586,937				
306-310-47-00	2,858	586,257				
306-310-48-00	2,757	578,571				
306-310-49-00	2,329	556,186				
306-310-50-00	2,757	569,300				
306-310-51-00	2,858	679,000				
306-310-52-00	2,329	559,465				
306-310-53-00	2,757	675,000	Escrow	Short	579,000	-14.2%
306-310-54-00	2,329	537,985				
306-310-55-00	2,757	581,096				
306-310-56-00	2,329	546,690				
306-310-57-00	2,858	570,769				
306-310-58-00	2,757	670,006				
306-310-59-00	2,858	676,000				
306-310-60-00	2,329	600,212				
306-310-61-00	2,858	706,000				
306-310-62-00	2,757	536,061 518 763				
306-311-01-00 306-311-02-00	2,329 2,858	518,763 571,001				
306-311-02-00	2,858 2,757	726,885				
306-311-03-00	2,737 2,514	601,546				
306-311-04-00	2,858	679,000				
306-311-06-00	2,050	558,314				
306-311-07-00	2,329	547,245	Jun-11	Conv	580,000	+6.0%

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	<u>TYPE</u>	PRICE	VAR AV
306-311-08-00	2,757	710,239				
306-311-09-00	2,858	693,593				
306-311-10-00	2,329	591,000				
306-311-11-00	2,858	617,987				
306-311-12-00	2,757	669,000				
306-311-13-00	2,858	709,192				
306-311-14-00	2,329	653,341				
306-311-15-00	2,858	659,931				
306-311-16-00	2,757	549,206				
306-311-17-00	2,858	577,343				
306-311-18-00	2,757	542,751				
306-311-19-00	2,858	582,188				
306-311-20-00	2,329	545,056				
306-311-21-00	2,757	670,007				
306-311-22-00	2,858	607,059				
306-311-23-00	2,757	555,778				
306-311-24-00	2,329	592,000				
306-311-25-00	2,858	564,426				
306-311-26-00	2,757	548,861				
306-311-27-00	2,858	558,661				
306-311-28-00	2,757	669,000				
306-311-29-00	2,858	680,000				
306-311-30-00	2,858	614,701				
306-311-31-00	2,757	558,661				
306-311-32-00	2,329	680,082				
306-311-33-00	2,858	609,858				
306-311-34-00	2,757	597,634				
306-311-35-00	2,858	572,844				
306-311-36-00	2,329	569,039				
306-311-37-00	2,858	675,000				
306-311-38-00	2,329	637,000				
306-311-39-00	2,858	573,076				
306-311-40-00	2,757	675,000				
306-311-41-00	2,858	603,100				
306-311-42-00	2,329	563,505	Jul-11	Conv	620,000	+10.0%
306-311-43-00	2,858	715,346				
306-311-44-00	2,757	655,406				
306-311-48-00	2,757	685,964				
306-311-49-00	2,858	696,687	May-11	Lender	680,000	-2.4%
306-311-50-00	2,858	672,522				
306-311-51-00	2,329	595,444				
306-311-52-00	2,757	750,000				
306-311-53-00	2,858	679,148				
306-311-54-00	2,757	645,177				
306-311-55-00	2,858	633,268				
306-311-56-00	2,757	600,748				
306-311-57-00	2,329	617,000				
306-311-58-00	2,858	720,227				
306-311-59-00	2,329	661,743				
306-311-60-00	2,757	735,323				
306-311-61-00	2,858	730,000				
306-311-62-00	2,329	588,179				
306-311-67-00	2,757	710,000				
306-311-68-00	2,329	603,000				
306-311-69-00	2,858	685,965				

			SALE	SALE		
<u>APN</u>	<u>SF</u>	AV	DATE	TYPE	PRICE	<u> VAR AV</u>
306-313-01-00	2,858	651,065				
306-313-02-00	2,757	608,272				
306-313-03-00	2,329	593,000				
306-313-04-00	2,757	667,000				
306-313-05-00	2,858	634,808				
306-313-06-00	2,329	614,000				
306-313-07-00	2,757	628,859				
306-313-08-00	2,858	587,828				
306-313-09-00	2,329	584,064				
306-313-10-00	2,858	675,000				
306-313-11-00	2,757	624,658				
306-313-12-00	2,858	608,968				
306-313-13-00	2,757	591,785				
306-313-14-00	2,329	573,884				
306-313-15-00	2,757	586,046	Mar-11	Conv	605,000	+3.2%
306-313-16-00	2,329	563,545				
306-313-17-00	2,858	640,992				
306-313-18-00	2,329	583,319				
306-313-19-00	2,757	586,542				
306-313-20-00	2,757	738,174				
306-313-21-00	2,858	629,419	Jul-11	Conv	660,000	+4.9%
306-313-22-00	2,858	654,154				
306-313-23-00	2,858	655,787				
306-313-24-00	2,757	627,133				
306-313-25-00	2,858	608,629				
306-313-26-00	2,757	593,368				
306-313-27-00	2,329	566,632				
306-313-28-00	2,858	595,855				
306-313-29-00	2,329	578,654				
306-313-30-00	2,858	599,756				
306-313-31-00	2,329	578,428				
306-313-32-00	2,757	597,964				
306-313-33-00	2,858	673,000				
306-313-34-00	2,329	649,856				
306-313-35-00	2,858	639,661				
306-313-36-00	2,329	640,557	Jan-11	Conv	645,000	+0.7%
306-313-37-00	2,858	659,242				
TOTAL		93,472,674			5,064,000	
NO. PARCELS		149			8	
AVERAGE		627,333			633,000	+0.8%
MINIMUM						-14.2%
MAXIMUM						+10.0%



#### MONET COLLECTION TRACT

# **PROPERTY DATA**

This tract is located on the west side of Camino Del Sur at Bryn Glen Way and extending for a block to the west.

This tract is described as Lots 1 through 65 of Bryn Glen, County of San Diego, according to Map No. 14298, filed November 9, 2001. The tract comprises Assessor Parcel Nos. 306-350-01 to 34 and 306-351-01 to 31, and the assessed values range from \$450,000 to \$688,521.

This tract comprises a total of 65 lots. The minimum lot size is 4,200 s.f., or  $\pm$ 42' by 100'.

These lots were developed in 2002 and 2003 with a tract of homes called Monet Collection by Continental Homes. There are four floor plans, and per builder information the size and description of each plan is as follows:

<u>Plan 1</u>: 1,603 s.f., two-story, with 3 bedrooms,  $2\frac{1}{2}$  baths, living room, great room, covered front porch and a 2-car garage; optional office at bedroom 3.

<u>Plan 2</u>: 1,803 s.f., two-story, with 3 bedrooms,  $2\frac{1}{2}$  baths, living room, family room, nook and a 2-car garage.

<u>Plan 3</u>: 2,074 s.f., two-story, with 4 bedrooms, 2½ baths, living room, dining room, family room, nook, covered front porch and a 2-car garage; optional loft at bedroom 4.

<u>Plan 4</u>: 2,186 s.f., two-story, with 4 bedrooms, 3<sup>1</sup>/<sub>2</sub> baths, living room, dining room, family room, nook and a 2-car garage; optional loft at bedroom 3.

Per Assessor data, the homes in this tract range in size from 1,565 s.f. to 2,215 s.f. or an average of 1,931 s.f.

#### ANALYSIS

Per the spreadsheet on the following page, the following data is indicated:

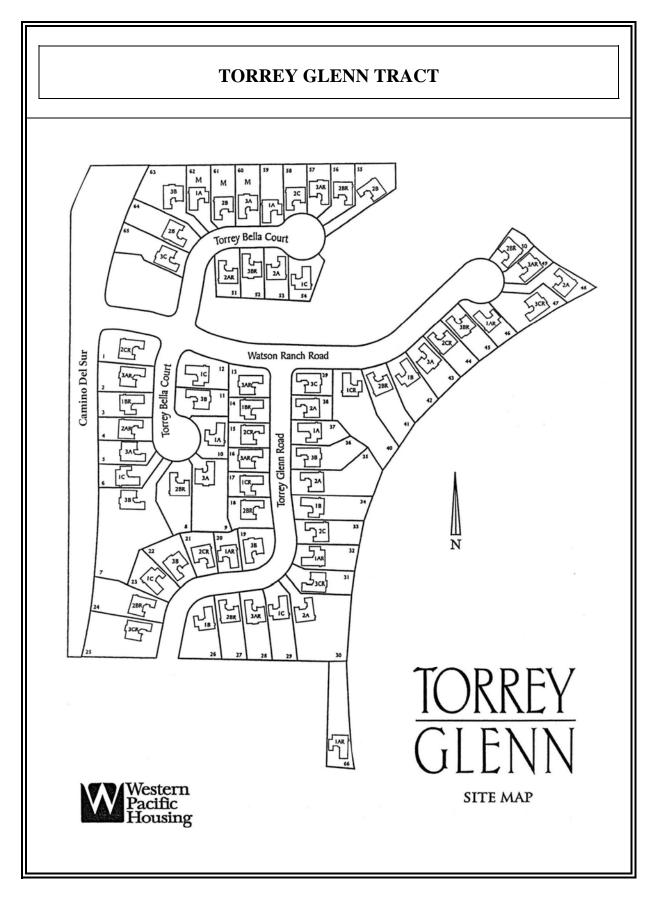
٠	Total A.V. for tract:	\$35,995,430
٠	Average A.V. for tract:	\$553,776
٠	Variance from sale price to A.V.:	+0.4% to +13.3%, or avg. of +6.9%

It is noted that the 2 sales in this tract were both short sales, thus the average variance indication at +6.9% would tend to be on the conservative side.

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	PRICE	<u>VAR AV</u>
306-350-01-00	1,799	542,395				
306-350-02-00	1,565	450,000				
306-350-03-00	2,215	599,000				
306-350-04-00	2,073	609,554				
306-350-05-00	1,799	535,000				
306-350-06-00	1,565	509,725				
306-350-07-00	2,215	643,290				
306-350-08-00	2,073	590,000				
306-350-09-00	1,799	532,506				
306-350-10-00	1,565	535,000				
306-350-11-00	2,215	531,542				
306-350-12-00	2,073	530,000				
306-350-13-00	1,565	462,130				
306-350-14-00	1,799	534,708				
306-350-15-00	2,073	546,126				
306-350-16-00	2,215	643,290				
306-350-17-00	1,603	554,140				
306-350-18-00	2,073	548,838				
306-350-19-00	1,799	515,000				
306-350-20-00	1,565	520,464				
306-350-21-00	2,215	581,623				
306-350-22-00	2,073	530,000				
306-350-23-00	1,799	535,000				
306-350-24-00	1,565	552,827				
306-350-25-00	2,073	518,766				
306-350-26-00	2,215	575,404				
306-350-27-00	1,565	471,174				
306-350-28-00	1,799	480,331				
306-350-29-00	2,109	595,974				
306-350-30-00	2,215	598,000				
306-350-31-00	1,565	543,751				
306-350-32-00	1,799	530,000				
306-350-33-00	2,073	530,000				
306-350-34-00	2,215	640,000				
306-351-01-00	1,799	509,951				
306-351-02-00	2,073	536,743				
306-351-03-00	2,215	553,587				
306-351-04-00	1,565	500,000				
306-351-05-00	1,799	493,896				
306-351-06-00	2,073	599,479				
306-351-07-00	2,215	604,000				
306-351-08-00	1,565	495,141				
306-351-09-00	1,799	535,000				
306-351-10-00	2,215	583,771				
306-351-11-00	2,073	519,898				
306-351-12-00	2,073	550,000				
306-351-13-00	2,215	564,665	Apr-11	Short	640,000	+13.3%
306-351-14-00	1,799	648,000				
306-351-15-00	1,565	534,707				
306-351-16-00	2,073	550,000				
306-351-17-00	2,215	605,000				
306-351-18-00	1,799	535,000				
306-351-19-00	2,073	557,000				
306-351-20-00	2,215	688,521				
306-351-21-00	1,799	514,246				
306-351-22-00	1,565	537,423				
306-351-23-00	2,073	530,000				

SALE SALE

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	PRICE	<u>VAR AV</u>
306-351-24-00	1,799	535,000				
306-351-25-00	1,565	535,000	Mar-11	Short	537,000	+0.4%
306-351-26-00	2,215	644,000				
306-351-27-00	2,073	590,000				
306-351-28-00	2,073	567,204				
306-351-29-00	2,215	645,000				
306-351-30-00	1,565	535,000				
306-351-31-00	2,215	582,640				
TOTAL		35,995,430			1,177,000	
NO. PARCELS		65			2	
AVERAGE		553,776			588,500	+6.9%
MINIMUM						+0.4%
MAXIMUM						+13.3%



### TORREY GLENN TRACT

# **PROPERTY DATA**

This tract is located on the east side of Camino Del Sur, extending north and south from Watson Ranch Rd.

This tract is described as Lots 1 through 66 of Torrey Glen, County of San Diego, according to Map No. 14273. The tract comprises Assessor Parcel Nos. 306-300-01 to 40 and 306-301-01 to 26, and the assessed values range from \$668,859 to \$1,055,397.

This tract comprises a total of 66 lots. The minimum lot size is 6,000 s.f., exclusive of slopes, with a typical size range of 6,000 s.f. to 8,000 s.f., exclusive of slopes.

These lots were developed in 2002 and 2003 with a tract of homes called Torrey Glenn by Western Pacific Housing. There are three floor plans, and per builder information the size and description of each plan is as follows:

<u>Plan 1</u>: 2,999-3,233 s.f., two-story, with 4 bedrooms, 3 baths, master retreat, bonus room, living room, dining room, family room, nook and a 3-car split garage; optional office and den.

<u>Plan 2</u>: 3,315-3,544 s.f., two-story, with 5 bedrooms, 4 baths, master retreat, loft with balcony, living room, dining room, family room, nook, covered front porch and a 3-car split/tandem garage; optional den and bedroom 6.

<u>Plan 3</u>: 3,739-3,985 s.f., two-story, with 6 bedrooms, 5½ baths, living room, dining room, family room, nook and a 3-car split garage; optional den, bonus room, bedroom 7 and office.

Per Assessor data, the homes in this tract range in size from 3,003 s.f. to 3,725 s.f. or an average of 3,375 s.f.

### ANALYSIS

Per the spreadsheet on the following page, the following data is indicated:

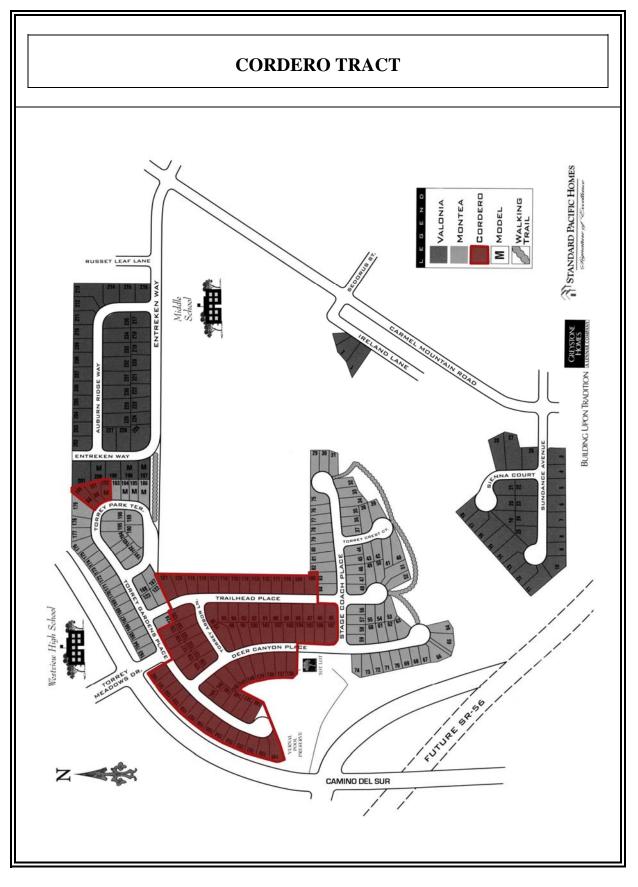
٠	Total A.V. for tract:	\$52,141,214
٠	Average A.V. for tract:	\$790,018
٠	Variance from sale price to A.V.:	+1.3% to +1.8%, or avg. of +1.6%

It is noted that the 1 conventional sale indicates +1.8% and the 1 lender sale indicates +1.3%, which is atypical to have such close indications from conventional and lender sales. However, with 1 of the 2 sales being a lender sale, the average variance of +1.6% would tend to be on the conservative side.

4.001		A) (	SALE	SALE	DDICE	
<u>APN</u>	<u>SF</u>	<u>AV</u>	DATE	<u>TYPE</u>	PRICE	<u>VAR AV</u>
306-300-01-00	3,338	721,133				
306-300-02-00	3,725	744,887				
306-300-03-00	3,003	696,342				
306-300-04-00	3,338	795,948				
306-300-05-00	3,725	842,991				
306-300-06-00	3,003	710,000				
306-300-07-00	3,725	871,513				
306-300-08-00	3,338	784,000				
306-300-09-00	3,725	1,055,397				
306-300-10-00	3,003	669,706				
306-300-11-00	3,725	794,000				
306-300-12-00	3,003	668,859				
306-300-13-00	3,725	798,000				
306-300-14-00	3,003	710,000				
306-300-15-00	3,338	772,000				
306-300-16-00	3,725	777,648				
306-300-17-00	3,003	699,191				
306-300-18-00	3,338	834,849				
306-300-19-00	3,725	800,000				
306-300-20-00	3,003	767,000				
306-300-21-00	3,338	778,191				
306-300-22-00	3,725	860,000				
306-300-23-00	3,003	762,611				
306-300-24-00	3,338	762,049				
306-300-25-00	3,725	878,000				
306-300-26-00	3,003	710,000				
306-300-27-00	3,338	752,000				
306-300-28-00	3,725	802,000				
306-300-29-00 306-300-30-00	3,003 3,338	693,877 890,000				
306-300-31-00	3,338 3,725	838,000				
306-300-32-00	3,723	710,000				
306-300-33-00	3,590	833,000				
306-300-34-00	3,003	710,000				
306-300-35-00	3,338	859,422				
306-300-36-00	3,725	813,000				
306-300-37-00	3,003	770,000				
306-300-38-00	3,338	772,000				
306-300-39-00	3,725	871,512				
306-300-40-00	3,003	699,838				
306-301-01-00	3,003	800,256				
306-301-02-00	3,338	790,000				
306-301-03-00	3,003	760,000	Mar-11	Lender	770,000	+1.3%
306-301-04-00	3,725	849,000				
306-301-05-00	3,338	850,520				
306-301-06-00	3,725	780,927				
306-301-07-00	3,003	710,000				
306-301-08-00	3,725	875,000				
306-301-09-00	3,338	835,000	Escrow	Conv	±850,000	+1.8%
306-301-10-00	3,725	895,000				
306-301-11-00	3,338	765,000				
306-301-12-00	3,338	811,903				
306-301-13-00	3,725	886,494				
306-301-14-00	3,338	864,000				
306-301-15-00	3,003	710,000				
306-301-16-00	3,338	739,526				
306-301-17-00	3,338	684,235				

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	<b>TYPE</b>	PRICE	<u>VAR AV</u>
306-301-18-00	3,725	725,744				
306-301-19-00	3,338	762,000				
306-301-20-00	3,003	696,447				
306-301-21-00	3,725	1,000,115				
306-301-22-00	3,338	835,000				
306-301-23-00	3,003	846,000				
306-301-24-00	3,725	800,597				
306-301-25-00	3,338	798,158				
306-301-26-00	3,725	791,328				
TOTAL		52,141,214			1,620,000	
NO. PARCELS		66			2	
AVERAGE		790,018			810,000	+1.6%
MINIMUM						+1.3%
MAXIMUM						+1.8%

CFD NO. 10 – IMPROVEMENT AREA B



# **CORDERO TRACT**

# **PROPERTY DATA**

This tract is mostly located on the southeast side of Camino Del Sur, south and southeast of Torrey Meadows Dr.

This tract is described as Lots 85 to 121, 125 to 162 and 180 to 182 of Greystone Torrey Highlands Unit No. 3, County of San Diego, according to Map No. 14238, filed July 3, 2001. The tract comprises Assessor Parcel Nos. 306-340-57 to 63, 306-341-01 to 30 & 34 to 71, and 306-342-18 to 20, and the assessed values range from \$602,989 to \$893,369.

This tract comprises a total of 78 lots. The minimum/typical lot size is  $\pm 5,000$  s.f., or  $\pm 55^{\circ}$  by 91'.

These lots were developed in 2002 and 2003 with a tract of homes called Cordero at Torrey Highlands by Standard Pacific Homes. There are three floor plans, and per builder information the size and description of each plan is as follows:

<u>Plan 1</u>: 3,080-3,260 s.f., two-story, with 4 bedrooms, 2<sup>1</sup>/<sub>2</sub> baths, tech center, living room, dining room, family room, nook, garden room and a 3-car tandem garage; optional loft and bedroom 5/bath 3.

<u>Plan 2</u>: 3,091-3,277 s.f., two-story, with 4 bedrooms, 3<sup>1</sup>/<sub>2</sub> baths, master retreat, bonus room, living room, dining room, family room, nook and a 3-car tandem garage; optional bedroom 5/bath 4, den, super family room, and guest suite.

<u>Plan 3</u>: 3,448-3,646 s.f., two-story, with 5 bedrooms, 4<sup>1</sup>/<sub>2</sub> baths, master retreat, tech center, living room, dining room, family room, nook and a 3-car tandem garage; optional bonus room, den, and super utility room.

Per Assessor data, the homes in this tract range in size from 2,862 s.f. to 3,620 s.f. or an average of 3,215 s.f.

#### ANALYSIS

Per the spreadsheet on the following page, the following data is indicated:

• Total A.	V. for tract:	\$54,971,569	
Average	A.V. for tract:	\$704,764	
Varianc	e from sale price to A.V.:	-0.7% to +15.5%, or a	vg. of +7.4%

It is noted that the 1 conventional sale indicates -0.7% and the 1 short sale indicates +15.5%, which is an atypical situation. However, with 1 of the 2 sales being a short sale, the average variance of +7.4% would tend to be on the conservative side.

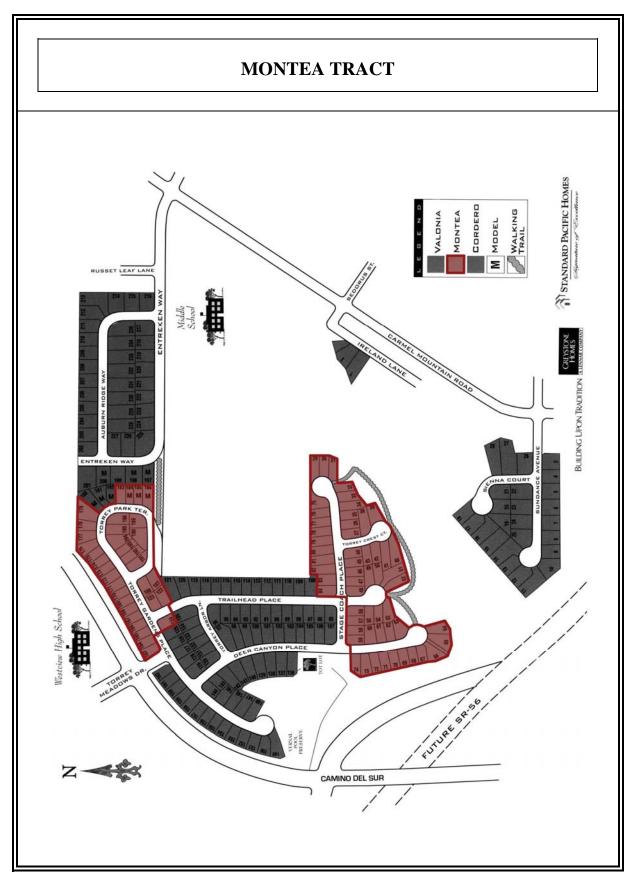
	CT.	A)/
<u>APN</u> 306-340-57-00	<u>SF</u> 3,408	<u>AV</u>
306-340-57-00	2,862	733,672 696,140
306-340-58-00	3,620	754,253
306-340-59-00	-	698,513
306-340-60-00	3,071	-
306-340-61-00	3,620	744,072
	3,300	652,164
306-340-63-00	3,408	699,643
306-341-01-00	3,408	690,602
306-341-02-00 306-341-03-00	3,084	710,000
306-341-03-00	3,408	689,468 765,000
306-341-04-00	3,084 2,862	672,513
306-341-05-00	3,084	669,120
306-341-00-00	2,939	740,000
306-341-07-00	3,300	674,772
306-341-08-00	3,620	752,891
306-341-09-00	3,620	768,866
306-341-10-00	3,300	716,126
306-341-11-00	3,300	781,717
306-341-12-00	3,408	816,675
306-341-13-00	2,862	660,642
306-341-14-00	3,408	721,349
306-341-15-00	3,071	677,711
306-341-10-00	3,300	731,236
306-341-17-00	3,084	645,381
306-341-18-00	3,408	701,904
306-341-10-00	2,862	674,772
306-341-20-00	3,084	672,513
306-341-22-00	3,071	801,993
306-341-23-00	2,862	669,120
306-341-23-00	3,238	718,500
306-341-25-00	2,862	672,626
306-341-26-00	3,084	664,598
306-341-27-00	3,084	710,000
306-341-28-00	3,408	799,086
306-341-29-00	3,300	677,035
306-341-30-00	3,403	795,000
306-341-34-00	2,939	634,869
306-341-35-00	3,084	710,000
306-341-36-00	3,408	730,458
306-341-37-00	3,084	628,311
306-341-38-00	3,408	795,000
306-341-39-00	3,084	612,598
306-341-40-00	2,939	623,903
306-341-41-00	3,084	627,295
306-341-42-00	2,939	626,163
306-341-43-00	3,084	634,077
306-341-44-00	3,408	678,166
306-341-45-00	3,408	774,790
306-341-46-00	3,300	676,017
306-341-47-00	3,408	725,418
306-341-48-00	3,071	677,600
306-341-49-00	3,300	809,138
306-341-50-00	3,408	795,000
306-341-51-00	3,084	639,615
306-341-52-00	2,862	602,989
306-341-53-00	3,408	784,009
	.,	,

SALE	
DATE	

<u>TYPE</u>

PRICE VAR. - AV

			SALE	SALE		
<u>APN</u>	<u>SF</u>	<u>AV</u>	DATE	<u>TYPE</u>	PRICE	<u>VAR AV</u>
306-341-54-00	3,408	726,323				
306-341-55-00	3,084	710,000				
306-341-56-00	3,408	687,210				
306-341-57-00	3,408	670,000				
306-341-58-00	3,408	733,897				
306-341-59-00	3,084	654,426				
306-341-60-00	2,862	679,184				
306-341-61-00	3,300	651,035				
306-341-62-00	3,071	725,646				
306-341-63-00	3,408	700,000				
306-341-64-00	2,862	661,209				
306-341-65-00	3,408	660,000				
306-341-66-00	3,300	630,686				
306-341-67-00	3,408	690,061				
306-341-68-00	3,084	710,000	Apr-11	Conv	705,000	-0.7%
306-341-69-00	3,408	653,677				
306-341-70-00	2,939	760,684				
306-341-71-00	3,408	647,912				
306-342-18-00	3,300	811,161				
306-342-19-00	3,620	893,369				
306-342-20-00	3,071	710,000	Apr-11	Short	820,000	+15.5%
TOTAL		F4 071 FC0			1 525 000	
		54,971,569			1,525,000	
NO. PARCELS		78			2	
AVERAGE		704,764			762,500	+7.4%
MINIMUM						-0.7%
MAXIMUM						+15.5%



### **MONTEA TRACT**

# **PROPERTY DATA**

This tract is located on the southeast side of Camino Del Sur, east/northeast from Torrey Meadows Dr., and also nearby to the south along the southerly portions of Deer Canyon Pl. and Trailhead Pl., and along Stage Coach Pl. and Torrey Crest Ct.

This tract is described as Lots 29 to 84, 122 to 124, 163 to 179 and 183 to 196 of Greystone Torrey Highlands Unit No. 3, County of San Diego, according to Map No. 14238, filed July 3, 2001. The tract comprises Assessor Parcel Nos. 306-340-01 to 56, 306-341-31 to 33, and 306-342-01 to 17 & 21 to 34, and the assessed values range from \$547,131 to \$817,000.

This tract comprises a total of 90 lots. The minimum lot size is  $\pm 5,000$  s.f., or  $\pm 50'$  by 100'.

These lots were developed in 2002 and 2003 with a tract of homes called Montea at Torrey Highlands by Greystone Homes. There are three floor plans, and per builder information the size and description of each plans is as follows:

<u>Plan 1</u>: 2,493 s.f., two-story, with 3 bedrooms, 2<sup>1</sup>/<sub>2</sub> baths, den, living room, dining room, family room, nook, covered front porch and a 2-car garage; optional third tandem garage and bedroom 4.

<u>Plan 2</u>: 2,854 s.f., two-story, with 4 bedrooms, 3 baths, loft, detached office, living room, dining room, family room, nook and a 2-car garage; optional third garage and bedroom 5.

<u>Plan 3</u>: 2,995 s.f., two-story, with 5 bedrooms, 3 baths, tech center, den, living room, dining room, family room, nook, covered front porch and a 2-car garage; optional third tandem garage, master retreat and bedroom 6.

Per Assessor data, the homes in this tract range in size from 2,479 s.f. to 3,211 s.f. or an average of 2,708 s.f.

### ANALYSIS

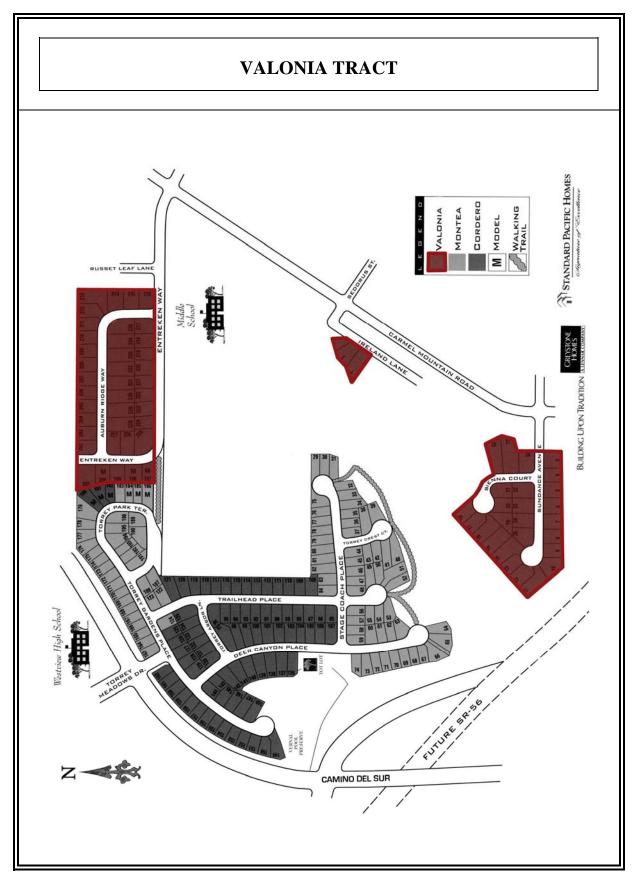
Per the spreadsheet on the following page, the following data is indicated:

• Total A.V. for tract:	\$57,376,034
• Average A.V. for tract:	\$637,511
• Variance from sale price to A.V.:	+16.5% to +25.8%, or avg. of +20.0%

It is noted that all 3 sales in this tract were conventional sales, thus the average variance indication at +20.0% would tend to be more representative of market value, though it is noted that this is the highest positive indication of all of the tracts in this analysis.

306-340-01-00         2,479         680,000           306-340-02-00         2,479         655,669           306-340-03-00         2,995         710,000	<u>R AV</u>
306-340-01-002,479680,000306-340-02-002,479655,669306-340-03-002,995710,000	
306-340-02-002,479655,669306-340-03-002,995710,000	
306-340-04-00 2,666 680,000	
306-340-05-00 2,479 680,000	
306-340-06-00 2,995 727,227	
306-340-07-00 2,666 594,057	
306-340-08-00 2,479 571,385	
306-340-09-00 2,995 599,144	
306-340-10-00 2,479 654,483	
306-340-11-00 2,995 670,365	
306-340-12-00 3,211 735,537	
306-340-13-00 2,666 631,703	
306-340-14-00 2,479 579,473	
306-340-15-00 2,666 581,621	
306-340-16-00 2,666 578,797	
306-340-17-00 2,479 581,058	
306-340-18-00 2,666 627,748	
306-340-19-00 2,666 587,840	
306-340-20-00 2,479 575,970	
306-340-21-00 2,666 591,119	
306-340-22-00 2,479 722,398	
	+25.8%
306-340-24-00 2,479 616,101	2010/0
306-340-25-00 2,995 640,180	
306-340-26-00 2,666 612,260	
306-340-27-00 2,479 577,666	
306-340-28-00 2,995 605,136	
306-340-29-00 2,666 680,000	
306-340-30-00 2,479 720,000	
	+17.7%
306-340-32-00 2,995 613,086	
306-340-33-00 2,479 548,861	
306-340-34-00 2,666 680,000	
306-340-35-00 2,995 599,738	
306-340-36-00 2,479 618,767	
306-340-37-00 2,666 654,893	
306-340-38-00 2,666 579,996	
306-340-39-00 2,666 550,013	
306-340-40-00 2,479 547,131	
306-340-41-00 2,666 573,075	
306-340-42-00 2,479 615,000	
306-340-43-00 2,995 584,260	
306-340-44-00 2,666 571,767	
306-340-45-00 2,995 594,984	
306-340-46-00 2,666 600,405	
306-340-47-00 2,666 593,154	
306-340-48-00 2,995 634,190	
306-340-49-00 2,666 812,426	
306-340-50-00 2,479 679,000	
306-340-51-00 2,995 614,971	
306-340-52-00 2,479 594,620	
306-340-53-00 2,995 603,667	
306-340-54-00 2,479 577,102	
306-340-55-00 2,666 598,578	
306-340-56-00 2,995 603,665	
306-341-31-00 2,666 594,623	

			SALE	SALE		
APN	<u>SF</u>	AV	DATE	TYPE	PRICE	<u> VAR AV</u>
306-341-32-00	2,995	750,000				
306-341-33-00	2,479	583,316				
306-342-01-00	2,995	608,301				
306-342-02-00	2,666	627,293				
306-342-03-00	2,479	593,493				
306-342-04-00	2,479	583,318				
306-342-05-00	2,666	592,928				
306-342-06-00	2,479	585,014				
306-342-07-00	2,666	597,909				
306-342-08-00	2,479	576,536				
306-342-09-00	2,995	687,435				
306-342-10-00	2,995	644,475				
306-342-11-00	2,666	620,625				
306-342-12-00	2,479	607,961				
306-342-13-00	2,666	622,070				
306-342-14-00	2,479	627,325				
306-342-15-00	2,666	725,421				
306-342-16-00	2,995	717,506				
306-342-17-00	2,995	717,701				
306-342-21-00	2,666	626,841				
306-342-22-00	2,479	680,000				
306-342-23-00	2,666	753,552				
306-342-24-00	2,996	765,000				
306-342-25-00	2,479	680,000				
306-342-26-00	2,995	638,597	Apr-11	Conv	744,000	+16.5%
306-342-27-00	2,995	817,000				
306-342-28-00	2,666	711,290				
306-342-29-00	2,479	611,465				
306-342-30-00	2,995	765,000				
306-342-31-00	2,666	667,000				
306-342-32-00	2,666	623,562				
306-342-33-00	2,479	732,474				
306-342-34-00	2,995	661,887				
TOTAL		57,376,034			2,289,000	
NO. PARCELS		90			3	
AVERAGE		637,511			763,000	+20.0%
MINIMUM						+16.5%
MAXIMUM						+25.8%



# VALONIA TRACT

# **PROPERTY DATA**

This tract is located along the north side of Entreken Way, nearby to the west of Russet Leaf Ln.; along the northwest side of Ireland Ln. just south of Sedorus St.; and on portions of Sundance Ave. and Siena Ct., nearby to the west of Carmel Mountain Rd.

This tract is described as Lots 1 through 28 of Greystone Torrey Highlands Unit No. 1, County of San Diego, according to Map No. 14237; and Lots 197 through 235 of Greystone Torrey Highlands Unit No. 2, County of San Diego, according to Map No. 14214. The tract comprises Assessor Parcel Nos. 306-290-01 to 39, 306-330-01 to 02, and 306-331-01 to 26, and the assessed values range from \$298,302 to \$914,836.

This tract comprises a total of 67 lots. The minimum lot size is 7,500 s.f., or 75' by 100'.

These lots were developed in 2002 and 2003 with a tract of homes called Valonia at Torrey Highlands by Greystone Homes. There are three floor plans, and per builder information the size and description of each plan is as follows:

<u>Plan 1</u>: 3,809 s.f., two-story, with 4 bedrooms, 3 baths, loft, library, living room, dining room, family room, nook and a 3-car split garage; optional bedroom 5/bath 4 and bedroom 6.

<u>Plan 2</u>: 3,976 s.f., two-story, with 5 bedrooms, 4½ baths, library, living room, dining room, family room, nook, covered front porch and a 3-car tandem garage; optional loft and bedroom 6.

<u>Plan 3</u>: 3,965 s.f., two-story, with 4 bedrooms, 4½ baths, master retreat, study, den, living room, dining room, family room, nook, hobby room and a 3-car split garage; optional bedrooms 5 & 6.

Per Assessor data, the homes in this tract range in size from 3,813 s.f. to 3,985 s.f. or an average of 3,927 s.f.

# ANALYSIS

Per the spreadsheet on the following page, the following data is indicated:

٠	Total A.V. for tract:	\$53,067,917
٠	Average A.V. for tract:	\$792,058
٠	Variance from sale price to A.V.:	+5.1% to +9.0%, or avg. of +7.1%

It is noted that the 1 short sale indicates +5.1% and the 1 lender sale indicates +9.0%, both of which are somewhat atypical, and due to the distressed conditions of sale the average variance of +7.1% would tend to be on the conservative side.

4.001	<b>67</b>	A.).	SALE	SALE	DDICE	
<u>APN</u>	<u>SF</u>	<u>AV</u>	DATE	<u>TYPE</u>	PRICE	<u>VAR AV</u>
306-290-01-00	3,985	850,000				
306-290-02-00	3,974	807,151				
306-290-03-00	3,985	850,000				
306-290-04-00	3,813	876,550				
306-290-05-00	3,813	846,700				
306-290-06-00	3,974	755,840				
306-290-07-00 306-290-08-00	3,813 3,974	890,000 800,000				
306-290-09-00	3,985	755,840				
306-290-10-00	3,974	736,238				
306-290-11-00	3,813	741,426				
306-290-12-00	3,974	745,464				
306-290-13-00	3,813	810,166				
306-290-14-00	3,985	841,287				
306-290-15-00	3,974	711,561				
306-290-16-00	3,985	914,836				
306-290-17-00	3,985	831,659				
306-290-18-00	3,974	711,445				
306-290-19-00	3,813	705,681				
306-290-20-00	3,985	751,331				
306-290-21-00	3,985	850,000				
306-290-22-00	3,974	762,499				
306-290-23-00	3,813	885,000				
306-290-24-00	3,974	839,000				
306-290-25-00	3,813	765,325				
306-290-26-00	3,985	827,000				
306-290-27-00	3,974	804,214				
306-290-28-00	3,813	765,000	Jul-11	Lender	834,000	+9.0%
306-290-29-00	3,974	813,002				
306-290-30-00	3,813	765,000				
306-290-31-00	3,985	850,000				
306-290-32-00	3,985	747,192				
306-290-33-00	3,813	742,704				
306-290-34-00	3,974	829,241				
306-290-35-00	3,985	804,502				
306-290-36-00	3,813	735,662				
306-290-37-00	3,974	748,345				
306-290-38-00	3,813	803,597				
306-290-39-00	3,985	779,142				
306-330-01-00	3,985	850,000				
306-330-02-00	3,974	847,512				
306-331-01-00	3,985	769,329				
306-331-02-00	3,813	830,000				
306-331-03-00	3,974	839,000				
306-331-04-00	3,813	298,302				
306-331-05-00	3,974	763,063				
306-331-06-00	3,985	770,299				
306-331-07-00	3,974	748,933 780,942				
306-331-08-00	3,813	780,942 842,310				
306-331-09-00 306-331-10-00	3,985 3,974	842,310 800,934				
306-331-10-00	3,974 3,985	800,934 835,924				
306-331-11-00	3,985 3,974	835,924 857,458				
306-331-12-00	3,974 3,813	857,458 885,102				
306-331-13-00	3,813 3,813	885,102 850,678				
306-331-15-00	3,974	850,078 811,751				
306-331-15-00	3,974 3,985	794,152				
550 551 10-00	3,303	, , , ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				

APN         SF         AV         DATE         TYPE         PRICE         VAR AV           306-331-17-00         3,985         766,752				SALE	SALE		
306-331-18-00       3,974       757,770         306-331-19-00       3,985       770,413       May-11       Short       810,000       +5.1%         306-331-20-00       3,813       834,267       306-331-21-00       3,974       860,430       400       400       400         306-331-22-00       3,985       762,499       400       400       400       400       400         306-331-23-00       3,813       750,064       400       400       400       400       400         306-331-24-00       3,985       740,229       400       400       400       400       400	APN	<u>SF</u>	AV	DATE	TYPE	PRICE	<u>VAR AV</u>
306-331-19-003,985770,413May-11Short810,000+5.1%306-331-20-003,813834,267 <t< td=""><td>306-331-17-00</td><td>3,985</td><td>766,752</td><td></td><td></td><td></td><td></td></t<>	306-331-17-00	3,985	766,752				
306-331-20-003,813834,267306-331-21-003,974860,430306-331-22-003,985762,499306-331-23-003,813750,064306-331-24-003,985740,229	306-331-18-00	3,974	757,770				
306-331-21-003,974860,430306-331-22-003,985762,499306-331-23-003,813750,064306-331-24-003,985740,229	306-331-19-00	3,985	770,413	May-11	Short	810,000	+5.1%
306-331-22-003,985762,499306-331-23-003,813750,064306-331-24-003,985740,229	306-331-20-00	3,813	834,267				
306-331-23-00         3,813         750,064           306-331-24-00         3,985         740,229	306-331-21-00	3,974	860,430				
306-331-24-00 3,985 740,229	306-331-22-00	3,985	762,499				
	306-331-23-00	3,813	750,064				
	306-331-24-00	3,985	740,229				
306-331-25-00 3,813 773,931	306-331-25-00	3,813	773,931				
306-331-26-00 3,985 826,273	306-331-26-00	3,985	826,273				
TOTAL 53,067,917 1,644,000	TOTAL		53,067,917			1,644,000	
NO. PARCELS 67 2	NO. PARCELS		67			2	
AVERAGE 792,058 822,000 +7.1%	AVERAGE		792,058			822,000	+7.1%
MINIMUM +5.1%	MINIMUM						+5.1%
MAXIMUM +9.0%	MAXIMUM						+9.0%

ADDENDA

# QUALIFICATIONS OF STEPHEN G. WHITE, MAI

### **PROFESSIONAL EXPERIENCE**

Real Estate Appraiser since 1976.

1983 through current date: Self-employed; office located at 1370 N. Brea Blvd., Suite 255, Fullerton, CA 92835 (Phone: 714-738-1595).

1976-1982: Employed by Cedric A. White, Jr., MAI, independent appraiser located in Anaheim.

Real estate appraisals have been completed on most types of properties for purposes of fair market value, leased fee value, leasehold value, easement value, partial acquisitions and severance damages.

#### PROFESSIONAL ORGANIZATIONS

Member, Appraisal Institute; MAI designation obtained 1985

Affiliate Member, Pacific West Association of Realtors

### **LICENSES**

Licensed by the State of California as a Certified General Real Estate Appraiser; OREA ID No. AG013311; valid through September 22, 2012.

#### **EDUCATION**

B.A. Economics & Business, Westmont College, Santa Barbara (1976)

Appraisal Institute Courses: Basic Appraisal Principles, Methods and Techniques Capitalization Theory and Techniques Urban Properties Litigation Valuation Standards of Professional Appraisal Practice

Numerous seminars and continuing education on various appraisal subjects, including valuation of easements and leased fee interests, litigation, the money market and its impact on real estate, and standards of professional appraisal practice.

### **COURT/TESTIMONY EXPERIENCE**

Qualified as an expert witness in the Superior Courts of Orange, Los Angeles, Riverside and San Bernardino Counties; also for the Assessment Appeals Board of Orange and Los Angeles Counties.

# **TYPES OF PROPERTY APPRAISED**

**Residential**: vacant lots, acreage and subdivisions; single family residences, condominiums, townhomes and apartment complexes.

Commercial: vacant lots/acreage; office buildings, retail/shopping centers, restaurants, hotels/motels.

**Industrial**: vacant lots and acreage; warehouses, manufacturing buildings, R&D buildings, industrial parks, mini-warehouses.

**Special Purpose**: mobilehome parks, churches, automobile agencies, medical buildings, convalescent hospitals, easements, leased fee and leasehold interests.

# **QUALIFICATIONS**, Page 2

#### **CLIENT LIST**

#### **Corporations:**

Aera Energy	MCP Foods
British Pacific Properties	Merrill Lynch Relocation
BSI Consultants	Orangeland RV Park
Crown Central Petroleum	Pacific Scientific
Eastman Kodak Company	Penhall International
Firestone Building Materials	Pic N Save Stores
Foodmaker Realty Corp.	Sargent-Fletcher Co.
Greyhound Lines	Shell-Western E&P
Holiday Rambler Corp.	Southern Distributors Corp.
International Baking Co.	Southern California Edison
Johnson Controls	The Home Depot
Kampgrounds of America	Tooley and Company
La Habra Products, Inc.	Wastewater Disposal Co.

#### **Developers:**

**Brighton Homes** Brookfield Citation Builders Davison-Ferguson Investment Devel. D.T. Smith Homes Irvine Company Kathryn Thompson Developers

#### Law Firms:

Baldikoski, Klotz & Dragonette Best Best & Krieger LLP Bowie, Arneson, Wiles & Giannone Bradshaw, John Bye, Hatcher & Piggott Callahan, McCune & Willis Cooksey, Coleman & Howard Hamilton & Samuels Horgan, Rosen, Beckham & Coren Kent, John Kirkland & Ellis Latham & Watkins LLP McKee, Charles C. Mosich, Nicholas J. Long, David M. Nossaman, Guthner, Knox & Elliott, LLP

#### **Financial Institutions**:

Ahmanson Trust Company Barclays Bank Chino Valley Bank Continental Bank First Interstate Mortgage First Wisconsin Bank National Credit Union Admin.

Mark Taylor, Inc. Mission Viejo Co. Premier Homes Presley Homes Rockefeller & Associates Taylor Woodrow Homes Unocal Land & Development

Oliver, Barr & Vose Ollestad, Freedman & Tavlor Palmieri, Tyler, Wiener, Wilhelm & Waldron LLP Paul, Hastings, Jonofsky & Walker LLP Piggott, George B. Pothier. Rose Rosenthal & Zimmerman Rutan & Tucker, LLP Sikora & Price, Inc. Smith & Politiski Williams, Gerold G. Woodruff, Spradlin & Smart, P.C. Yates, Sealy M.

Pacific Western Bank San Clemente Savings & Loan Security Pacific Bank Sunwest Bank United Calif. Savings Bank Washington Square Capital

#### **QUALIFICATIONS**, Page 3

#### Cities:

Anaheim Baldwin Park Buena Park Cypress Dana Point Duarte Fontana Fullerton

La Habra Laguna Beach Long Beach Mission Viejo Orange Placentia Riverside Seal Beach

San Clemente Santa Ana Santa Fe Springs Stanton Temecula Tustin Yorba Linda

County of Riverside

#### **Counties**:

County of Orange

#### **Other Governmental**:

Agua Mansa Industrial Growth Association Metropolitan Water District El Toro Water District Orange County Water District Trabuco Canyon Water District Federal Deposit Insurance Corporation (FDIC) Kern County Employees Retirement Association U.S. Postal Service Lee Lake Water Dist.

#### School Districts:

Alvord Unified School Dist. Anaheim Union High School Dist. Anaheim City School Dist. Banning Unified School Dist. Capistrano Unified School Dist. Castaic Union School Dist. Cypress School Dist. Etiwanda School Dist. Fullerton College Fullerton Joint Union High School Dist. Fullerton School Dist. Garden Grove Unified School Dist. Irvine Unified School Dist. Lake Elsinore Unified School Dist. Moreno Valley Unified School Dist. Newhall School Dist.

#### **Churches/Church Organizations:**

Calvary Church, Santa Ana Central Baptist Church, Pomona Christian & Missionary Alliance Church, Santa Ana St. Mark's Lutheran Church, Hac. Hts. Christian Church Foundation Congregational Church, Fullerton First Church of the Nazarene

#### Other:

Biola University Cedars-Sinai Medical Center Newport-Mesa Unified School Dist. Orange Unified School Dist. Palm Springs Unified School Dist. Placentia-Yorba Linda Unif Schl Dist. Poway Unified School Dist. Rialto Unified School Dist. Romoland School Dist. Saddleback Valley Unif. School Dist. San Jacinto Unified School Dist. Santa Ana Unified School Dist. Saugus Union School Dist. So. Orange Cnty. Comm. College Dist. Westside Union School Dist. William S. Hart Union High Schl. Dist. Victor Elementary School Dist.

Lutheran Church, Missouri Synod Presbytery of Los Rancho Vineyard Christian Fellowship Yorba Linda United Methodist Church

Garden Grove Boys Club The Sheepfold

#### **APPENDIX D**

#### 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 Bond Indentures. The provisions of the separate CFD Bond Indentures for the CFD No. 6 IA A Refunding Bonds, the CFD No. 10 IA A Refunding Bonds and the CFD No. 10 IA B Refunding Bonds are substantially equivalent, 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:

"1997 LRB Custodial Account" means the account by such name established by the Custodian pursuant to the Custodian Agreement.

"2011 Bonds" means the \$34,615,000 Poway Unified School District Public Financing Authority 2011 Special Tax Revenue Refunding Bonds at any time Outstanding pursuant to the Indenture.

"2011 Refunding Bonds" also defined as "Refunding Bonds" means the CFD No. 10 IA A 2011 Refunding Bonds, the CFD No. 10 IA B 2011 Refunding Bonds and the CFD No. 6 IA A 2011 Refunding Bonds.

"2011 Refunding Bonds Purchase Contract" means the Special Tax Refunding Bonds Purchase Contract, dated as of October 19, 2011, by and among the Authority and the Community Facilities Districts setting forth the terms and conditions pursuant to which the Authority has agreed to acquire the Refunding Bonds from the Community Facilities Districts, and the Community Facilities Districts have agreed to sell the Refunding Bonds to the Authority.

"2011 Refunding Bonds Resolution of Issuance" means Resolution No. 12-2012 of the Board of Trustees of the School District, acting in its capacity as the governing body of the Community Facilities District Nos. 6 and 10, adopted on October 10, 2011, providing for the issuance of the 2011 Refunding Bonds and the sale thereof to the Authority.

"2011 Term Bonds" means the 2011 Bonds maturing on September 15, 2033.

"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.

"Annual Debt Service" means as to the Bonds, 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.

"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, 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 Bond Indenture for each Series of the Refunding 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.

"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, 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 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 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 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.

"Average Annual Debt Service" means the average over all Bond Years (from the date of the Bonds to their maturity) of Annual Debt Service.

"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 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 2011 Bonds, the first such Bond Year shall begin on the Date of Delivery, and end on September 15, 2012.

"Bonds" or "Authority Bonds" mean 2011 Bonds and any Parity 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" or "CFD Bond Indenture" means, collectively, the CFD No. 6 IA A Bond Indenture, the CFD No. 10 IA A Bond Indenture and the CFD No. 10 IA B Bond Indenture and any supplemental indenture to any of such indentures or, individually, any one of such indentures.

"CFD Bonds Reserve Fund Credit Amount" means, as applicable, the CFD No. 6 IA A Bonds Reserve Fund Credit Amount, the CFD No. 10 IA A Bonds Reserve Fund Credit Amount and the CFD No. 10 IA B Bonds Reserve Fund Credit Amount.

"CFD No. 10 IA A 2011 Refunding Bonds" means the \$9,670,000 Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area A Special Tax Refunding Bonds, Series 2011 issued pursuant to the 2011 Refunding Bonds Resolution of Issuance and the CFD No. 10 IA A Bond Indenture.

"CFD No. 10 IA A Bond Indenture" means the Bond Indenture, dated as of November 1, 2011, by and between CFD No. 10 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 10 IA A Refunding Bonds.

"CFD No. 10 IA A Bonds Reserve Fund Credit Amount" means \$901,394.37 (an amount equal to the cash deposited in the Reserve Fund on the Date of Delivery multiplied by a fraction with the numerator equal to the total principal of the CFD No. 10 IA A Refunding Bonds and the denominator equal to the total principal of the Refunding Bonds).

"CFD No. 10 IA A Refunding Bonds" means the CFD No. 10 IA A 2011 Refunding Bonds and any CFD No. 10 IA A Parity Refunding Bonds.

"CFD No. 10 IA B 2011 Refunding Bonds" means the \$6,360,000 Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area B Special Tax Refunding Bonds, Series 2011 issued pursuant to the 2011 Refunding Bonds Resolution of Issuance and the CFD No. 10 IA B Bond Indenture.

"CFD No. 10 IA B Bond Indenture" means the Bond Indenture, dated as of November 1, 2011, by and between CFD No. 10 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 10 IA B Refunding Bonds.

"CFD No. 10 IA B Bonds Reserve Fund Credit Amount" means \$592,850.89 (an amount equal to the cash deposited in the Reserve Fund on the Date of Delivery multiplied by a fraction with the numerator equal to the total principal of the CFD No. 10 IA B Refunding Bonds and the denominator equal to the total principal of the Refunding Bonds).

"CFD No. 10 IA B Refunding Bonds" means the CFD No. 10 IA B 2011 Refunding Bonds and any CFD No. 10 IA B Parity Refunding Bonds.

"CFD No. 6 IA A 2011 Refunding Bonds" means the \$18,585,000 Poway Unified School District Community Facilities District No. 6 (4S Ranch) Improvement Area A Special Tax Refunding Bonds, Series 2011 issued pursuant to the 2011 Refunding Bonds Resolution of Issuance and the CFD No. 6 IA A Bond Indenture.

"CFD No. 6 IA A Bond Indenture" means the Bond Indenture, dated as of November 1, 2011, by and between CFD No. 6 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 6 IA A Refunding Bonds.

"CFD No. 6 IA A Bonds Reserve Fund Credit Amount" means \$1,732,411.00 (an amount equal to the cash deposited in the Reserve Fund on the Date of Delivery multiplied by a fraction with the numerator equal to the total principal of the CFD No. 6 IA A Refunding Bonds and the denominator equal to the total principal of the Refunding Bonds).

"CFD No. 6 IA A Refunding Bonds" means the CFD No. 6 IA A 2011 Refunding Bonds and any CFD No. 6 IA A Parity Refunding Bonds.

"CFD Prepayment Credit" means that Reserve Fund Credit as such term is defined in the applicable Special Tax RMA, calculated pursuant to such rate and method and provided for upon the prepayment of the special tax obligation for property within Improvement Area A of Community Facilities District No. 6 or Improvement Area A or Improvement Area B of Community Facilities District No. 10, as applicable.

"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. 10" or "CFD No. 10" means Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV), a Community Facilities District formed pursuant to the Mello-Roos Act.

"Community Facilities District No. 6" or "CFD No. 6" means Poway Unified School District Community Facilities District No. 6 (4S Ranch), a Community Facilities District formed pursuant to the Mello-Roos Act.

"Community Facilities Districts" or "CFDs" means, collectively, CFD No. 6 and CFD No. 10.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement as executed and delivered by the Authority and the School District, on behalf of Community Facilities District Nos. 6 and 10, Dolinka Group, LLC, as dissemination agent, and Zions First National Bank, as Trustee, and dated as of November 1, 2011 as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Custodian" means Zions First National Bank, acting in its capacity as custodian under the Custodian Agreement.

"Custodian Agreement" means that certain Custodian Agreement made as of December 1, 2001, by and among the School District and State Street Bank and Trust Company of California, N.A., as amended by that certain Agreement of Resignation, Appointment and Acceptance, dated as of July 1, 2003, by and among the School District, U.S. Bank National Association, as successor to State Street Bank and Trust Company of California, as prior custodian, and Zions First National Bank, as successor custodian.

"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 1. of the definition of Permitted Investments.

"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 Refunding 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 November 1, 2011, among the Authority, the School District and the Community Facilities Districts as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Improvement Area Surplus Custodial Account" means the account by such name established by the Custodian pursuant to the Custodian Agreement.

"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 the Community Facilities Districts; (b) does not have any substantial interest, direct or indirect, with the Authority, School District or the Community Facilities Districts; and (c) is not connected with the Authority, School District, or the Community Facilities Districts, but who may be regularly retained to make reports to the Authority, School District, or the Community Facilities Districts.

"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 The Community Facilities Districts; (c) does not have any substantial interest, direct or indirect, with the Authority, the School District or The Community Facilities Districts; and (d) is not connected with the Authority, School District or The Community Facilities Districts as an officer or employee of the Authority, School District or The

Community Facilities Districts, but who may be regularly retained to make reports to the Authority, School District or The Community Facilities Districts.

"Information Services" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at http://emma.msrb.org); 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.

"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 March 15, 2012.

"Joint Powers 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.

"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, it 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.

"Parity Bonds" means Bonds hereinafter issued which are secured by and payable from an irrevocable first lien on the Revenues which lien is on a parity with the lien securing the 2011 Bonds.

"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):

1. A. Direct obligations (other than an obligation subject to variation in principal payment) of the United States of America ("United States Treasury Obligations");

B. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;

C. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or

D. Evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

- 2. Federal Housing Administration debentures.
- 3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
  - A. Federal Home Loan Mortgage Corporation (FHLMC)
    - (1) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
    - (2) Senior Debt obligations
  - B. Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
    - (1) Consolidated system-wide bonds and notes
  - C. Federal Home Loan Banks (FHL Banks)
    - (1) Consolidated debt obligations
  - D. Federal National Mortgage Association (FNMA)
    - (1) Senior debt obligations
    - (2) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
  - E. Student Loan Marketing Association (SLMA)
    - (1) Senior debt obligations (excluded are 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)
  - F. Financing Corporation (FICO)
    - (1) Debt obligations
  - G. Resolution Funding Corporation (REFCORP)
    - (1) Debt obligations
- 4. Unsecured certificates of deposit, time deposits, deposit accounts and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.
- 5. Deposits, the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.
- 6. Commercial paper having original maturities of not more than 270 days rated "A-1" by S&P and "Prime-1" by Moody's.
- 7. Money market funds rated "AAm-1" by Moody's or "AAm-G" by S&P, or better.
- 8. State Obligations, which means:

- A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
- B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "Prime-1" by Moody's.
- C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's.
- 9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:
  - A. (1) the municipal obligations are not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
  - B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
  - C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) have been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");
  - D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
  - E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
  - F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.
- 10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or (3) any other entity rated "A" or better by S&P and Moody's, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

- B. The Trustee or a third party acting solely as agent therefor or for the Authority (the "Holder of Collateral") has possession of the collateral or the collateral has been transferred to the Holder of Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);
- C. The Holder of Collateral has a perfected first priority security interest in the collateral, any substituted collateral in the name of the Trustee and all proceeds thereof (in the case of bearer securities, this means the Holder of Collateral is in possession); and
- D. The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Trustee.

Notwithstanding the above, collateral levels need not be as specified in A. above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

- 11. Investment agreements with a domestic or foreign bank or corporation the long-term debt or financial strength of which it or its guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's; provided that, by the terms of the investment agreement:
  - A. the invested funds are available for withdrawal without penalty or premium, upon not more than seven days' prior notice; the Authority and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
  - B. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinate to any other obligation of, the provider thereof; or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;
  - C. the Authority and the Trustee receive the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);
  - D. the investment agreement shall provide that if during its term
    - (1) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a Holder of the Collateral, free and clear of any third-party liens or claims, the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) transfer and assign the investment agreement to a then qualifying counterparty with ratings specified above; and

- (2) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, within 10 days of the date of such withdrawal, suspension or reduction of the provider's rating, repay the principal of and accrued but unpaid interest on the investment;
- E. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and
- F. the investment agreement must provide that if during its term
  - (1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and
  - (2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("Event of Insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.
- 12. The Local Agency Investment Fund (LAIF) administered by the treasurer of the State to the extent such deposits remain in the name of and control of the Trustee.

"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 Zions First National Bank in Salt Lake City, Utah.

"Principal Payment Date" means September 15 of each year.

"Principal Repayment" means any amounts received by the Trustee representing a repayment of principal of any issue of Refunding Bonds upon the prior redemption, prepayment or acceleration thereof.

"Prior Special Tax Bonds" means, collectively, the following:

(a) Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area A Special Tax Bonds;

(b) Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area B Special Tax Bonds; and

(c) Poway Unified School District Community Facilities District No. 6 (4S Ranch) Improvement Area A 2002 Special Tax Bonds. "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.

"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 first (1st) 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.

"Refunding Bonds," also defined as "2011 Refunding Bonds," means, collectively, the CFD No. 6 IA A Refunding Bonds, the CFD No. 10 IA A Refunding Bonds and the CFD No. 10 IA B Refunding Bonds or, individually, any Series of such Bonds.

"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.

"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 an amount initially equal to \$3,226,656.26, which amount shall, as of any date of calculation, be equal to the least of (i) Maximum Annual Debt Service for the Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Bonds, or (iii) ten percent (10%) of the issue price (as defined in the Regulations) of the Bonds; provided, however, the Reserve Requirement shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code.

"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 Refunding 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 Administrative Expense 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 Administrative Expense Fund and the Rebate Fund.

"S&P" or "Standard & Poor's" means Standard & Poor's Ratings Services, 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.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, New York, New York 10041-0099, Fax (212) 855-3274 or 3799; 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.

"Series" means, as to the Bonds, any series of the Bonds issued pursuant to the Indenture or any Supplemental Indenture or, as to the Refunding Bonds, any series of such bonds issued pursuant to the applicable CFD Bond Indenture.

"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.

"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.

"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, 2033.

"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, a division of Stifel Nicolaus.

"Written Certificate" and "Written Request" of the Authority, the School District or a Community Facilities District 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 Community Facilities District 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. Within the Program Fund, the Trustee shall establish special accounts referred to as the "Purchase Account" and the "Authority Costs of Issuance Account." Subject to satisfaction of the requirements of the Indenture as to each Series of Refunding Bonds, funds deposited in the Purchase Account shall immediately be expended for the purchase of each such Series of Refunding Bonds.

# Authority Costs of Issuance Account.

The Trustee shall, on the Date of Delivery of each Series of the Bonds, deposit in the Authority Costs of Issuance Account the amount set forth in the Indenture with respect to the 2011 Bonds or in the Supplemental Indenture with respect to any Series of Parity Bonds 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 approved by an Authorized Representative.

Upon the earlier of: (i) payment in full of all Costs of Issuance for a Series of Bonds, 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 of such Series of Bonds, the Trustee shall transfer the funds, if any, remaining in the Authority Costs of Issuance Account to the Bond Fund. Upon the occurrence of such transfers, the Trustee shall then close the Authority Costs of Issuance Account as it applies to such Series of the Bonds.

# 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 Administrative Expense 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 Administrative Expense 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 Refunding 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 Community Facilities District with respect to its Refunding 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) On each Interest Payment Date, 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, including the Capitalized Interest Sub-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. On any Interest Payment Date on which the amount on deposit in the Revenue Fund is inadequate to make the transfers described in this paragraph as a result of a default in the scheduled payment of principal of and/or interest on a Refunding Bond, the Trustee shall immediately notify the Superintendent of the amount of such payment default.

(b) On each Principal Payment Date, the Trustee shall 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 Principal Date and any amount of principal previously due and unpaid. On any Principal Payment Date on which the amount on deposit in the Revenue Fund is inadequate to make the transfers described in this paragraph as a result of a default in the scheduled payment of principal of and/or interest on a Refunding Bond, the Trustee shall immediately notify the Superintendent of the amount of such payment default.

(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) In the event that the Trustee receives all or any portion of the principal of and/or interest on the Refunding Bonds the payment of which is in default, the Trustee shall immediately disburse or transfer such funds in the following order of priority: (i) 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 (ii) for deposit in the Revenue Fund any amount remaining following the transfer required pursuant to (i).

(e) On any Principal Payment Date after making the transfers and deposits in paragraphs (a) through (d) above, 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) On any Principal Payment Date after making the transfers and deposits in paragraphs (a) through (e) above, 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 each Principal Payment Date after making the transfers and deposits in paragraphs (a) through (f) above, the Trustee shall transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund to be applied as provided for in the Indenture.

## **Interest Account.**

Subject to the provisions of the Indenture, all amounts in the Interest Account, including the Capitalized Interest Sub-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 in lieu of redemption. All funds in the Capitalized Interest Sub-Account shall be withdrawn and used to pay interest on the Bonds prior to using any other funds on deposit in the Interest Account for such purpose. 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, 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; and provide 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; 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; and provide a payses 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, prior to any transfers from the Reserve 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 any Principal Payment Date following any deposits required to be made pursuant to paragraphs (a) through (c) above, to the Authority Administrative Expense Fund as the Authority may direct by Written Certificate if the moneys in the Revenue Fund are insufficient to make any deposit from the Revenue Fund required pursuant to the Indenture.

Moneys remaining on deposit in the Surplus Fund on September 16 of any Bond Year shall no longer be designated as Revenues, shall no longer be pledged to the payment of the Bonds and shall be transferred to the Custodian, for and on behalf of the Community Facilities Districts, for deposit in the 1997 LRB Custodial Account, or if the Trustee has been notified in writing by the Authority that the 1997 LRB Custodial Account has been closed, to the Improvement Area Surplus Custodial Account, or if the Trustee has been notified in writing by the Authority that the Improvement Area Surplus Custodial Account, or if the Authority that the Improvement Area Surplus Custodial Account, or if the Trustee has been notified in writing by the Authority that the Improvement Area Surplus Custodial Account, or if the Trustee has been closed, to such other account as the Authority may direct in writing.

#### **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 the proceeds of the Bonds specified in the Indenture representing 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, 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 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 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.

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 Community Facilities District 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 Refunding 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 from the cash amount then on deposit in the Reserve Fund on the final maturity date of each Series of Refunding Bonds, an amount equal to the CFD Bonds Reserve Fund Credit Amount applicable to such Series of Refunding Bonds, minus the amount of any transfer previously made necessitated as a result of a deficiency in the scheduled payment of principal of or interest on such Series of Refunding Bonds which has not previously been reimbursed, and such amount shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on such Series of Refunding Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on such Sories on such date and the balance being deposited to the Principal Account as a credit on the principal due of such 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.

# Authority Administrative Expense Fund.

The Trustee shall maintain and hold the Authority Administrative Expense Fund in trust. The Authority shall deposit amounts transferred to the Trustee from the Fiscal Agent for the Refunding 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 approved by an Authorized Representative of the Authority.

# **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 and the Trustee.

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.

### **Issuance of Parity Bonds.**

Subject to the satisfaction of the specific conditions set forth in the Indenture, the Authority may at any time after the issuance and delivery of the 2011 Bonds issue Parity Bonds payable from Revenues and other amounts deposited in the funds and accounts created under the Supplemental Indenture (other than in the Program Fund, the Authority 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 2011 Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture.

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

(a) Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds will result in a reduction of Annual Debt Service on all Bonds to be Outstanding following the issuance of such Parity Bonds.

(b) The Authority shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the Authority to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the Authority is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the Authority will be in compliance with all such covenants.

(c) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Bond Law and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the Authority which shall specify the following:

(1) The purpose for which such Parity Bonds are to be issued and the fund or funds and accounts therein, if any, into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding Bonds then Outstanding, including payment of all costs incidental to or connected with the issuance of such Parity Bonds;

(2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that (a) each maturity date shall fall on a September 15, (b) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (c) fixed serial maturities or sinking fund payments for Parity Bonds shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount and due date of each mandatory sinking fund payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in (a) the Authority Reserve Fund to increase the amount therein to equal the Authority Reserve Requirement allocable to the Outstanding Bonds, including such Parity Bonds, on the Date of Delivery of such Parity Bonds or (b) a separate reserve fund established pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds to fund the amount equal to the reserve requirement for such Parity Bonds which shall, as of any date of calculation, be equal to the least of: (i) 10% of the initial principal amount of such Parity Bonds; (ii) Maximum Annual Debt Service on such Parity Bonds; or (iii) 125% of average Annual Debt Service on such Parity Bonds; be maintained in any reserve fund which is established for such Parity Bonds shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code;

(8) The form of such Parity Bonds; and

(9) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(d) There shall have been received by the Trustee the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) A written request of the Authority as to the delivery of such Parity Bonds;

(3) An opinion of Authority Bond Counsel to the effect that (a) the Authority has the right and power under the Joint Powers Act to adopt the Supplemental Indenture relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Revenues and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; (c) such Parity Bonds are valid and binding limited obligations of the Authority, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Bond Law (or other applicable laws) and the Indenture and all such Supplemental Indentures; and (d) a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not

adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds, the 2011 Bonds and Parity Bonds theretofore issued;

(4) A certificate of an Authorized Representative containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture; and

(5) Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

# 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 Refunding 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 Refunding 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, 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 Proceeds of the Bonds, the Revenues, the Refunding 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 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.

### 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.

#### **Refunding Bonds.**

The Authority shall cause to be collected and paid to it all Revenues payable with respect to the Refunding 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 Refunding 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 Refunding 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.

#### **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 Refunding Bonds, provided that the security of the Owners in the Revenues pledged, or pursuant to the Indenture, is maintained.

#### Sale of Refunding 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 Refunding 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 Refunding Bonds, the Revenues to be paid to the Trustee

(assuming the timely payment of the amounts due thereon with regard to any Refunding Bonds not then in default), together with interest and principal due on any Defeasance Obligations pledged to the repayment of the Bonds or the Revenues then on deposit in the Funds and Accounts established hereunder (valuing any Permitted Investments held hereunder at the fair market value thereof), will be sufficient to pay the principal of and interest on the Bonds when due; and

(b) an opinion of Bond Counsel to the effect that such sale of the Refunding 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 Refunding 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.

### 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.

# 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.

# Modification or Amendment of the Indenture.

# **Amendments Permitted.**

The Indenture and the rights and obligations of the Authority and of the Owners of the (a) 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 October 19, 2011, 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. 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 to the Indenture, 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 Parity Bonds; 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.

#### **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 Refunding 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 from consenting to the

amendment, supplement or other modification of any Refunding 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 Refunding 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 Refunding Bonds in exchange for the amended, supplemented, or otherwise modified Refunding 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: (i) an executed copy of a report, addressed to the Trustee 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 and the Trustee. 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.

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.

## **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:

"2011 Bonds" means:

a. as to the CFD No. 6 IA A Bond Indenture, the \$18,585,000 Poway Unified School District Community Facilities District No. 6 (4S Ranch) Improvement Area A Special Tax Refunding Bonds, Series 2011;

b. as to the CFD No. 10 IA A Bond Indenture, the \$9,670,000 Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area A Special Tax Refunding Bonds, Series 2011; and

c. as to the CFD No. 10 IA B Bond Indenture, the \$6,360,000 Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area B Special Tax Refunding Bonds, Series 2011.

"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 Mello-Roos Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; 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 \$25,000 as to the CFD No. 6 IA A Bond Indenture, \$18,284.92 as to the CFD No. 10 IA A Indenture and \$18,284.92 as to the CFD No. 10 IA B Bond Indenture. The Administrative Expense Requirement for all CFD Indentures shall escalate by 2% in each Bond Year commencing in the Bond Year beginning on September 2, 2012.

"Annual Debt Service" means as to the Bonds, 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.

"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 November 1, 2011, 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 2011 Special Tax Revenue Refunding 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 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, acting on behalf of the District, or any other person designated by the Superintendent and authorized to act on behalf of the District under or with respect to the Indenture and all other agreements related to the Indenture.

"Average Annual Debt Service" means the average over all Bond Years (from the date of the Bonds to their maturity) of Annual Debt Service.

"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 Service Fund" means the fund by that name created and established pursuant to each of the 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" means:

a. as to the CFD No. 6 IA A Bond Indenture, the 2011 Bonds as defined in such Indenture and any Parity Bonds at any time Outstanding pursuant to such Indenture,

b. as to the CFD No. 10 IA A Bond Indenture, the 2011 Bonds as defined in such Indenture and any Parity Bonds at any time Outstanding pursuant to such Indenture; and

c. as to the CFD No. 10 IA B Bond Indenture, the 2011 Bonds as defined in such Indenture and any Parity Bonds at any time Outstanding pursuant to such 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.

"CFD No. 6" or "District" means Poway Unified School District Community Facilities District No. 6 (4S Ranch).

"CFD No. 10" or "District" means Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV).

"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.

"Defeasance Obligations" means those obligations described in paragraph 1 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. The Delivery Date of the 2011 Bonds shall be November 3, 2011.

"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.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agent" means Zions First National Bank, acting as escrow agent under and pursuant to the Escrow Agreement.

"Escrow Agreement" means that Escrow Deposit and Trust Agreement, dated as of November 1, 2011, between the District and the Escrow Agent related to the defeasance and refunding of the Prior Special Tax Bonds.

"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.

"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 November 1, 2011, among the Authority, the School District and the Community Facilities Districts.

"Indenture" means, as applicable, the Bond Indenture dated as of November 1, 2011, by and between CFD No. 6 and Zions First National Bank, as amended or supplemented pursuant to the terms thereof; the Bond Indenture dated as of November 1, 2011, 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 November 1, 2011, by and between CFD No. 10 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.

"Interest Account" means the account by that name established within the Bond Service Fund pursuant to the Indenture.

"Interest Payment Date" means March 1 and September 1 of each year, commencing March 1, 2012 as to the 2011 Bonds.

"Legislative Body" means the Board of Education of the School District, acting as the legislative body of the District.

"Maximum Annual Debt Service" means, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year.

"Mello-Roos 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.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Net Special Tax Revenues" means Special Tax Revenues minus, as to each Bond Year, an amount equal to the Administrative Expense Requirement applicable to the Bonds 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 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 applicable 2011 Bonds.

"Permitted Investments" has the meaning given such term in the summary of the Authority Indenture.

"Prepayments" means 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 applicable Improvement Area of the District made in accordance with the Special Tax RMA net of the amount of the cost of the computation of the prepayment, the cost of redeeming the applicable Bonds as a result of such prepayment and the cost of any notices to evidence the prepayment or the redemption of such Bonds.

"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.

"Prior Special Tax Bonds" means, as to the CFD No. 6 IA B Bond Indenture, the outstanding Poway Unified School District Community Facilities District No. 6 (4S Ranch) Improvement Area B 2005 Special Tax Bonds issued in the original principal amount of \$30,000,000; as to the CFD No. 10 IA A Bond Indenture, the outstanding Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area A Special Tax Bonds issued in the original principal amount of \$9,700,000; and as to the CFD No. 10 IA B Bond Indenture, the outstanding Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area B Special Tax Bonds issued in the original principal amount of \$6,345,000.

"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 each of the Indentures.

"Refunding Bonds" shall have the meaning given such term in the Authority Indenture.

"Regulations" means the regulations promulgated under the Internal Revenue Code of 1986, as amended.

"School District" means the Poway Unified School District.

"Securities Depositories" means The Depository Trust Company, New York, New York, and its successors and assigns and any replacement securities depository as may be designated in writing executed by an Authorized Representative of the District.

"Series" means, as to the Bonds, any series of the Bonds issued pursuant to the Indenture or any Supplemental Indenture.

"Special Tax" means:

a. as to the CFD No. 6 IA A Bond Indenture, the Special Tax authorized to be levied in Improvement Area A of CFD No. 6;

b. as the CFD No. 10 IA A Bond Indenture, the Special Tax authorized to be levied in Improvement Area A of CFD No. 10; and

c. as the CFD No. 10 IA B Bond Indenture, the Special Tax authorized to be levied in Improvement Area B of CFD No. 10

"Special Tax Fund" means the fund by that name created and established pursuant to each of the Indentures.

"Special Tax Requirement" shall have the meaning given such term in the Special Tax RMA.

"Special Tax Revenues" means (a) the proceeds of the Special Tax levied and received by the District, (b) the Delinquency Proceeds, and (c) Prepayments.

"Special Tax RMA" means:

a. as to the CFD No. 6 IA A Bond Indenture, the rate and method of apportionment of the Special Tax approved at the special election held in CFD No. 2 on October 21, 2002, as may be modified from time to time in accordance with the Mello-Roos Act;

b. as to the CFD No. 10 IA A Bond Indenture, the rate and method of apportionment of the Special Tax approved at the special election held in CFD No. 2 on August 27, 2001, as may be modified from time to time in accordance with the Mello-Roos Act; and

c. as to the CFD No. 10 IA A Bond Indenture, the rate and method of apportionment of the Special Tax approved at the special election held in CFD No. 2 on August 27, 2001, as may be modified from time to time in accordance with the Mello-Roos Act.

"Special Tax Fund" means the fund by that name established pursuant to each of the Indentures..

"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 to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"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.

"Taxable Property" shall have the meaning given such term in each Special Tax RMA.

"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 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 and date for redemption of the 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 Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds 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 and redemption date on which the principal of the Term Bonds shall be subject to mandatory sinking fund redemption pursuant to the Indenture, or if any Parity Bonds shall be subject to mandatory sinking fund redemption pursuant to a Supplemental 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 coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Indenture providing for the issuance of such Parity Bonds.
- 4. After making the transfer and deposits required under 1. through 3. 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.
- 5. On September 2 of each year after making the deposits and transfers required under 1. through 4. above, or after September 2, if funds become available after September 2, 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.
- 6. On September 2 of each year after making the deposits and transfers required under 1. through 5. above, or after September 2, if funds become available after September 2, 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:
  - 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;
  - (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, that will be in excess of the Administrative Expense Requirement for such Bond Year.

7. If, on September 2 of each year, or after September 2 if funds become available after September 2, after making the deposits and transfers required under 1. through 6. above, moneys remain on deposit in the Special Tax Fund ("Residual Special Tax Revenues"), the Fiscal Agent shall transfer such Residual Special Tax Revenues to the Authority Trustee.

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.

# **Bond Service Fund.**

## A. <u>Interest Account</u>.

All moneys in the Interest Account 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).

## B. <u>Principal Account</u>.

All moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (1) paying the principal of the Bonds at the maturity thereof or (2) paying the mandatory sinking fund redemption price of the Bonds.

# **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 optionally redeeming Bonds or redeeming Bonds from the proceeds of Special Tax Prepayments 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.

# 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 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, 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 7 of the definition of Permitted Investments. 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 7 of the definition of Permitted Investments.

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 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 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;

(d) 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

(e) to provide for the issuance of Parity Bonds pursuant to the terms of the Indenture.

Exclusive of the Supplemental Indentures 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 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 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.

## **Issuance of Parity Bonds.**

Subject to the satisfaction of the specific conditions set forth in below, the District may at any time after the issuance and delivery of the 2011 Bonds issue Parity Bonds payable from Net Special Tax Revenues and other amounts deposited in the funds and accounts created under the 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 2011 Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture.

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

(a) Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds will result in a reduction of Annual Debt Service on all Bonds to be Outstanding following the issuance of such Parity Bonds.

(b) The Authority 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 Authority 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.

(c) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Mello-Roos Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:

(1) The purpose for which such Parity Bonds are to be issued and the fund or funds and accounts therein, if any, into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding Bonds then Outstanding, including payment of all costs incidental to or connected with the issuance of such Parity Bonds;

(2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that (a) each maturity date shall fall on a September 1, (b) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (c) fixed serial maturities shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount and due date of each mandatory sinking fund payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in (a) the Authority Reserve Fund to increase the amount therein to equal the Authority Reserve Requirement allocable to the Outstanding Bonds, including such Parity Bonds, on the Date of Delivery of such Parity Bonds or (b) a separate reserve fund established pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds to fund the amount equal to the reserve requirement for such Parity Bonds which shall, as of any date of calculation, be equal to the least of: (i) 10% of the initial principal amount of such Parity Bonds; (ii) Maximum Annual Debt Service on such Parity Bonds; or (iii) 125% of average Annual Debt Service on such Parity Bonds; be maintained in any reserve fund which is established for such Parity Bonds shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code;

(8) The form of such Parity Bonds; and

(9) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(d) There shall have been received by the Fiscal Agent the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Fiscal Agent (unless the Fiscal Agent shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) A written request of the District as to the delivery of such Parity Bonds;

An opinion of Bond Counsel to the effect that (a) the District has the right and (3) power under the Mello-Roos Act to adopt the Supplemental Indenture relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Special Tax Revenues and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Mello-Roos Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and (d) a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds, the 2011 Bonds and Parity Bonds theretofore issued;

(4) A certificate of an Authorized Representative containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture; and

(5) Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity 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.

On or before June 1 of each Fiscal Year, the District will review the public records of the A. 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 \$7,500 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 \$15,000 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. Except for Parity Bonds, 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 Mello-Roos 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 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 30<sup>th</sup> of each year, commencing October 30, 2012, and until October 30<sup>th</sup> 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 Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture, 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 the payment of the principal of, premium, if any, and interest due on such Bonds.

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 and available for such purpose, is fully sufficient to pay the principal of, 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 and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, 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) 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:

<u>First</u>: 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

<u>Second</u>: 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. [THIS PAGE INTENTIONALLY LEFT BLANK]

### **APPENDIX E**

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and entered into as of November 1, 2011, 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, acting on behalf of Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District ("Community Facilities District No. 6") with respect to Improvement Area A and Community Facilities District No. 10 (Torrey Highlands – Subarea IV) of the Poway Unified School District ("Community Facilities District No. 10") with respect to Improvement Areas A and B and collectively with Community Facilities District No. 6, 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, LLC, a California limited liability company, in its capacity as Dissemination Agent (the "Dissemination Agent") under this Disclosure Agreement in connection with the issuance of the Poway Unified School District Public Financing Authority 2011 Special Tax Revenue Refunding Bonds (the "Bonds");

## WITNESSETH:

**WHEREAS,** pursuant to the Bond Indenture, dated as of November 1, 2011 (the "Authority Indenture"), by and between the Authority and the Trustee, the Authority has issued the Bonds in the aggregate principal amount of \$34,615,000; and

WHEREAS, the Bonds are being issued to acquire three series of special tax bonds (the "CFD Refunding Bonds"). The CFD Refunding Bonds are each being issued pursuant to separate Bond Indentures (each a "CFD Bond Indenture," and together the "CFD Bond Indentures"), each dated as of November 1, 2011, each by and between the applicable District and Zions First National Bank, as Fiscal Agent (collectively, the "Fiscal Agent");

**WHEREAS,** each Series of CFD Refunding Bonds is payable from and secured by special taxes levied on certain of the property within the applicable Improvement Area;

**NOW, THEREFORE,** for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. <u>Purpose of the Disclosure Agreement</u>. 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. <u>Definitions</u>. In addition to the definitions set forth in the Authority Indenture and the CFD 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 Superintendent 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 Districts shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Dolinka Group, LLC, 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. 6 (4S Ranch) of the Poway Unified School District and Community Facilities District No. 10 (Torrey Highlands – Subarea IV) of the Poway Unified School District, as applicable.

"EMMA System" shall mean the Electronic Municipal Market Access System of the MSRB (as defined below) or such other electronic system designated by the MSRB or the Securities and Exchange Commission (the "S.E.C.") for compliance with S.E.C. Rule 15c2-12(b).

"Improvement Area" or "Improvement Areas" means Improvement Area A of Community Facilities District No. 6 (4S Ranch) and Improvement Areas A and B of Community Facilities District No. 10 (Torrey Highlands – Subarea IV).

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

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus.

"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.

"School District" shall mean Poway Unified School District, Poway, California.

Section 3. Provision of Annual Reports.

The Authority and each District shall, or, shall cause the Dissemination Agent to, not (a) later than the Annual Report Date commencing January 31, 2012, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB and to the Trustee and the Fiscal Agent 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 the Annual Report 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 Annual Report Date 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 the Annual Report Date 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 MSRB through the EMMA System and to the Trustee and the Fiscal Agent its Annual Report by the Annual Report Date, the Dissemination Agent shall send a notice to the MSRB through the EMMA System, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the electronic filing requirements of the MSRB for the Annual Reports;

(ii) provide any Annual Report received by it to the MSRB through the EMMA System, the Trustee and the Fiscal Agent 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 Agent and the Participating Underwriter certifying that an Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

Section 4. <u>Content of Annual Reports</u>. 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 preceding the date of the Annual Report;

(2) Balance in the Bond Service Fund as of a date within 30 days preceding the date of the Annual Report;

(3) Balance in the Reserve Fund and statement of Reserve Requirement as of a date within 30 days preceding 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, the applicable Improvement Area(s) and its applicable CFD Refunding Bonds:

(i) A table summarizing assessed value-to-lien ratios for the property in each applicable Improvement Area and by applicable 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 applicable Improvement Area 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 CFD Refunding Bonds and any refunding bonds with respect to the applicable Improvement Area(s), but need not include other debt secured by a tax or assessments levied on parcels within an Improvement Area.

(ii) Information regarding the annual special taxes levied with respect to the applicable Improvement Area(s), amount collected, delinquent amounts and percent delinquent for the most recent fiscal year;

(iii) Status of foreclosure proceedings of parcels within the applicable Improvement Area(s) and summary of results of foreclosure sales, if available;

(iv) A land ownership summary listing property owners, if any, 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 applicable Improvement Area(s) 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 applicable Improvement Area(s) 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 applicable Improvement Area(s);

(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 with respect to the applicable Improvement Area(s) as of the immediately preceding October 31 required under State law;

(viii) Any changes to the Rate and Method of Apportionment of Special Tax with respect to the applicable Improvement Area(s) approved or submitted to the qualified electors of the applicable Improvement Area(s) for approval prior to the filing of the Annual Report; and

- (ix) With respect to each applicable Improvement Area, the following information:
  - The amount of bonds authorized for the applicable Improvement Area(s),
  - 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 statements required under Section 4(b), 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 the MSRB through the EMMA System or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority or District shall clearly identify each such other document so included by reference.

# Section 5. <u>Reporting of Significant Events</u>.

(a) Pursuant to the provisions of this Section 5, the Authority and the Districts, as applicable, shall give, or cause to be given in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to its Bonds or CFD Refunding Bonds, as applicable:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security or other material events affecting the tax status of the security;

- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the securities; if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;<sup>(1)</sup>

(xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Dissemination Agent shall, within three 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 (e). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of the Listed Events described under clauses (ii), (iii), (vi), (x), (xi), (xiii) and (xiv) 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) As soon as practicable so as to satisfy the notice requirements of Section 5(a), the Authority or the District, as applicable, shall notify the Dissemination Agent in writing of the occurrence of any of the Listed Events. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e). 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 MSRB through the EMMA System.

(d) If the Authority or a District determines that a Listed Event subject to a materiality requirement referenced in clauses (a) (ii), (vii), (viii), (x), (xiii) or (xiv) 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 (e).

(e) If the Dissemination Agent has been instructed by the Authority or a District to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System and shall provide a copy of such notice to the Participating Underwriter.

<sup>&</sup>lt;sup>(1)</sup> For the purposes of the event identified in subparagraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

Section 6. <u>Termination of Reporting Obligation</u>. 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 CFD Refunding Bonds, (ii) prior redemption of such District's CFD Refunding Bonds, or (iii) payment in full of all such District's CFD Refunding 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(e).

Section 7. <u>Dissemination Agent</u>. 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, LLC. 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 Agent. 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. <u>Amendment Waiver</u>. 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 CFD Refunding 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 MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(e).

Section 9. <u>Additional Information</u>. 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. <u>Default</u>. 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 CFD 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 in 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 in 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 CFD Refunding 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 CFD Refunding 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. <u>Beneficiaries</u>. The Participating Underwriter 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 Agent, the Dissemination Agent, 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. <u>Notices</u>. 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 15250 Avenue of Science San Diego, California 92128-3406 Telephone: 858/679-2501 Telecopier: 858/513-0967 Attention: Superintendent
If to the	Dolinka Group, LLC
Dissemination	20 Pacifica, Suite 900
Agent:	Irvine, California 92618
	Telephone: 949/250-8300
	Telecopier: 949/250-8301
If to the	Zions First National Bank
Trustee:	550 South Hope Street, Suite 2650
	Los Angeles, California 90071
	Telephone: 213/593-3150
	Telecopier: 213/593-3160
If to the	Stone & Youngberg,
Participating	a Division of Stifel Nicolaus
Underwriter:	One Ferry Building
	San Francisco, California 94111
	Attention: Municipal Research Department
	Telephone: 415/445-2332
	Telecopier: 415/445-2395

*provided however*, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The parties may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

Section 14. <u>Future Determination of Obligated Persons</u>. 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. <u>Severability</u>. 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. <u>State of California Law Governs</u>. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 17. <u>Counterparts</u>. 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. <u>Merger</u>. Any person succeeding to all or substantially all of the Dissemination Agent's 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 COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH), AND COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV)

By: \_\_\_\_\_\_Authorized Officer

ZIONS FIRST NATIONAL BANK, as Trustee

By: \_\_\_\_

Authorized Officer

DOLINKA GROUP, LLC, as Dissemination Agent

By: \_\_\_\_\_

Authorized Officer

## EXHIBIT A

# NOTICE TO 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 2011 Special Tax Revenue Refunding Bonds
Date of Issuance:	November, 2011

Dated: \_\_\_\_\_, 20\_\_\_

Dolinka Group, LLC, as Dissemination Agent, on behalf of the Poway Unified School District Public Financing Authority, Community Facilities District No. 6 (4S Ranch) and Community Facilities District No. 10 (Torrey Highlands – Subarea IV)

cc: Poway Unified School District Public Financing Authority Community Facilities District No. 6 Community Facilities District No. 10 Stone & Youngberg, a Division of Stifel Nicolaus Zions First National Bank

## **APPENDIX F**

#### PROPOSED FORM OF OPINION OF BOND COUNSEL

Board of Directors Poway Unified School District Public Financing Authority 15250 Avenue of Science San Diego, California 92128-3406

# Re: \$34,615,000 POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY 2011 SPECIAL TAX REVENUE REFUNDING BONDS

# FINAL OPINION

Dear 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 2011 Special Tax Revenue Refunding Bonds in the aggregate principal amount of \$34,615,000 (the "2011 Bonds"). The 2011 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 October 10, 2011 (the "Resolution of Issuance"), and an Indenture of Trust, dated as of November 1, 2011 (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 2011 Bonds are special, limited obligations of the Authority. The 2011 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 2011 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 2011 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 2011 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 2011 Bonds.

4. The 2011 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. Under existing statutes, regulations, rulings and court decisions, and assuming compliance by the Authority with the aforementioned covenants, the interest on the 2011 Bonds is excluded from gross income for purposes of federal income taxation. Interest on the 2011 Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

6. Interest on the 2011 Bonds is exempt from State of California personal income tax.

The opinions expressed in paragraph (5) above as to the exclusion from gross income for federal income tax purposes of interest on the 2011 Bonds are subject to the condition that the Authority and the Community Facilities Districts comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2011 Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2011 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2011 Bonds. The Authority and the Community Facilities Districts each have covenanted to comply with all such requirements. Except as set forth in paragraph (5) above, we express no opinion as to any federal tax consequences related to the 2011 Bonds.

We are admitted to the practice of law only in the State of California and our opinions are limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Our engagement as Bond Counsel with respect to the 2011 Bonds terminates upon the issuance of the 2011 Bonds and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur).

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover matters not directly addressed by such authorities.

Respectfully submitted,

BEST BEST & KRIEGER LLP

[THIS PAGE INTENTIONALLY LEFT BLANK]

### **APPENDIX G**

#### **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 School District which the School District believes to be reliable, but the School District, the Community Facilities Districts 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.

# **Procedures and Record Keeping**

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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 and 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 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District 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).

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 School District 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 School District, 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 School District 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 School District 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 School District 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 School District believes to be reliable, but the School District 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 School District determines that DTC shall no longer act and delivers a written certificate to the Trustee to that effect, then the School District will discontinue the Book-Entry System with DTC for the Bonds. If the School District determines to replace DTC with another qualified securities depository, the School District 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 School District 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 School District 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 Authority 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 Authority Indenture. The School District 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 School District 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]