

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 taxable income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “CONCLUDING INFORMATION - Tax Exemption” herein.

\$37,785,000

**POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
2013 SPECIAL TAX REVENUE BONDS**

Dated: Date of Delivery

Due: September 15, as shown on inside cover

The Poway Unified School District Public Financing Authority 2013 Special Tax Revenue Bonds (the “Bonds”) are being issued pursuant to an Indenture of Trust (the “Authority Indenture”), dated as of January 1, 2013, by and between Poway Unified School District Public Financing Authority (the “Authority”) and Zions First National Bank, as trustee (the “Trustee”) (i) to purchase eight separate series of CFD Bonds (each a “Series of CFD Bonds” or “CFD 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 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 September 15, 2013. 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 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 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 Bonds, which payments are to be derived from Special Taxes received with respect to Improvement Area 1 of Community Facilities District No. 2 (Torrey Highlands – Subarea IV), Improvement Areas C, D and E of Community Facilities District No. 10 (Torrey Highlands – Subarea IV) and Improvement Area A and Zones 1, 2 and 3 of Community Facilities District No. 11 (StoneBridge Estates) (collectively, the “Improvement Areas,” the “Zones” and the “Districts,” respectively), as more fully described herein. The payments on the CFD 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 Bonds are made when due. In addition, it is currently anticipated that annual Net Special Tax Revenues available for debt service on the CFD Bonds will exceed the debt service on the CFD 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 Bonds does not constitute a default under the others, and each Series of CFD Bonds is secured by a separate source of revenues. An event of default under one Series of CFD Bonds may result in insufficient Revenues with which to pay the principal of and interest on the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS” herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, POWAY UNIFIED SCHOOL DISTRICT (THE “SCHOOL DISTRICT”), THE COUNTY OF SAN DIEGO (THE “COUNTY”), THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT NOR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM CERTAIN REVENUES AND CERTAIN AMOUNTS DEPOSITED BY THE AUTHORITY IN THE REVENUE FUND, BOND FUND, AUTHORITY SURPLUS 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 accepted by the Underwriter, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel and subject to certain other conditions. Certain legal matters will be passed on 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 book-entry form will be available for delivery through the facilities of DTC on or about February 14, 2013.

STONE & YOUNGBERG
A DIVISION OF STIFEL NICOLAUS

\$37,785,000
POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
2013 SPECIAL TAX REVENUE BONDS

MATURITY SCHEDULE
\$24,520,000 SERIAL BONDS
Base CUSIP® No. 73885Q[†]

Maturity (September 15)	Principal Amount	Interest Rate	Yield	CUSIP® No. [†]	Maturity (September 15)	Principal Amount	Interest Rate	Yield	CUSIP® No. [†]
2013	\$415,000	2.000%	0.700%	AY5	2022	\$1,315,000	4.000%	3.090%	BH1
2014	585,000	2.000	1.000	AZ2	2023	1,430,000	4.000	3.230	BJ7
2015	640,000	2.000	1.380	BA6	2024	1,565,000	5.000	3.320 ^C	BK4
2016	715,000	3.000	1.750	BB4	2025	1,715,000	5.000	3.370 ^C	BL2
2017	805,000	3.000	2.000	BC2	2026	1,875,000	5.000	3.440 ^C	BM0
2018	905,000	3.000	2.250	BD0	2027	2,070,000	5.000	3.500 ^C	BN8
2019	975,000	3.000	2.500	BE8	2028	2,225,000	5.000	3.570 ^C	BP3
2020	1,065,000	4.000	2.700	BF5	2029	2,415,000	5.000	3.630 ^C	BQ1
2021	1,185,000	4.000	2.900	BG3	2030	2,620,000	5.000	3.690 ^C	BR9
\$5,910,000 5.000% Term Bonds Due September 15, 2032					Yield 3.740% ^C	CUSIP® No. 73885Q BS7 [†]			
\$5,555,000 4.125% Term Bonds Due September 15, 2036					Yield 4.320%	CUSIP® No. 73885Q BT5 [†]			
\$1,800,000 4.250% Term Bonds Due September 15, 2042					Yield 4.450%	CUSIP® No. 73885Q BU2 [†]			

^C Priced to the first optional redemption date of September 15, 2023.

[†]CUSIP® A registered trademark of the American Bankers Association. Copyright © 1999-2013 Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP® Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® 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**

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

APPRAISER

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, the Improvement Areas, the Zones 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 over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the 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.

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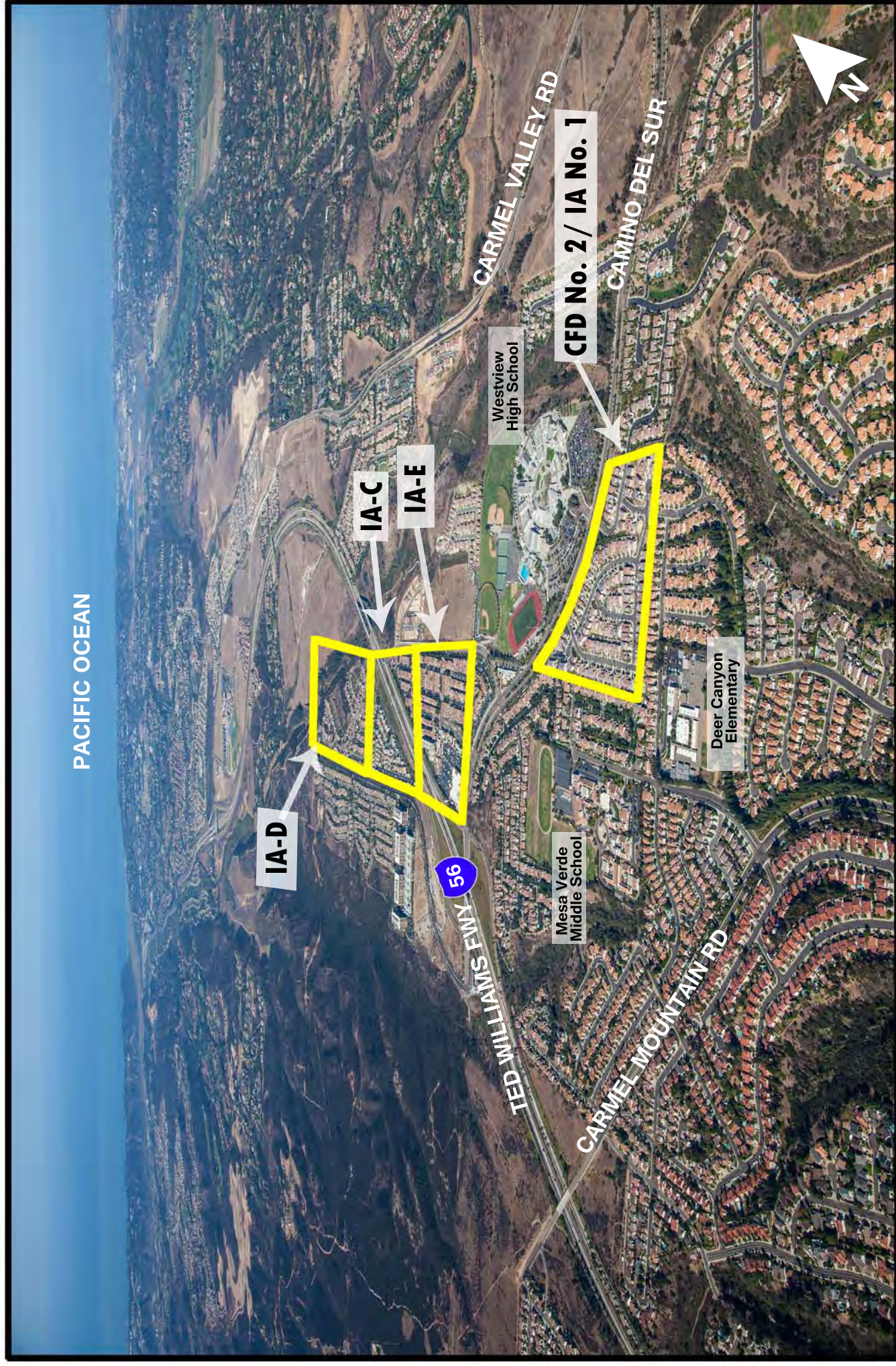
POWAY UNIFIED SCHOOL DISTRICT

Community Facilities District No. 2, Improvement Area 1

Community Facilities District No. 10 Improvement Areas C, D & E



Air Views 10/2/12 (Boundaries shown are approximate)

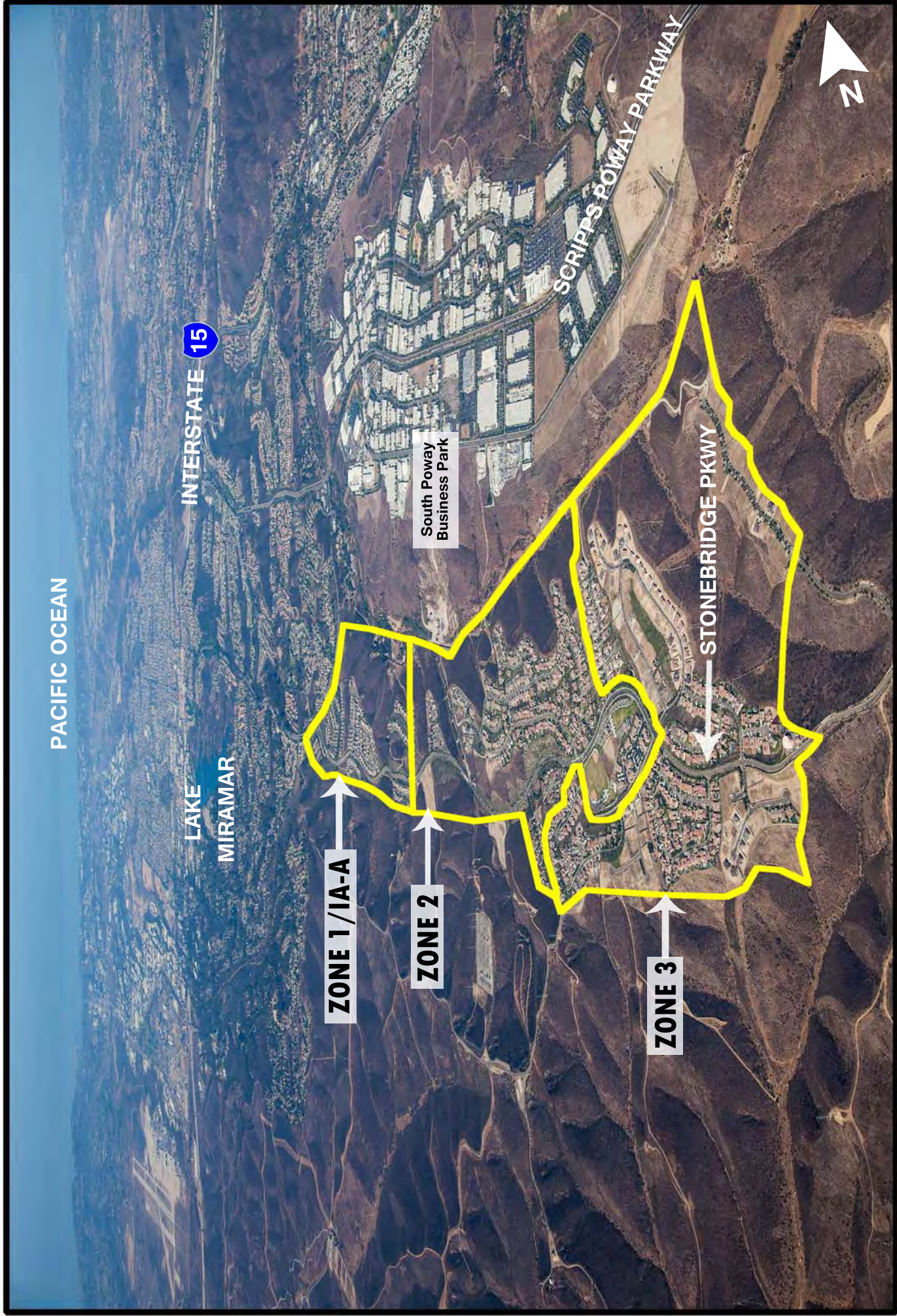


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POWAY UNIFIED SCHOOL DISTRICT
Community Facilities District No. 11
Zones 1 / Improvement Area A, 2, C3



Air Views 10/2/12 (Boundaries shown are approximate)



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OFFICIAL STATEMENT

\$37,785,000

POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY 2013 SPECIAL TAX REVENUE BONDS

INTRODUCTION

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

General

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the “Official Statement”), is to provide certain information concerning the sale and issuance of the Poway Unified School District Public Financing Authority 2013 Special Tax Revenue Bonds (the “Authority” and the “Bonds,” respectively).

The Bonds are being issued pursuant to an Indenture of Trust (the “Authority Indenture”), dated as of January 1, 2013, 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 (defined herein) and Community Facilities District No. 1 of the Poway Unified School District (“CFD No. 1”). Pursuant to the Joint Powers 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 (defined below).

Purpose of Issue

Proceeds of the CFD Bonds (as defined below) will be used to finance eligible school facilities and to refund or discharge bonds previously issued with respect to each applicable Improvement Area and Zone, 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 eight Series of CFD Bonds; (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 Bonds. The Bonds shall constitute special obligations of the Authority.

The eight series of Special Tax Bonds (each a “Series of CFD Bonds” or “CFD Bonds,” as applicable), consist of the following: (i) Poway Unified School District Community Facilities District No. 2 (Torrey Highlands – Subarea IV) Improvement Area 1 Special Tax Bonds, Series 2013 (“CFD No. 2” and the “CFD No. 2 IA 1 Bonds,” respectively); (ii) Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area C Special Tax Refunding Bonds, Series 2013 (“CFD No. 10” and the “CFD No. 10 IA C Refunding Bonds,” respectively); (iii) CFD No. 10 Improvement Area D Special Tax Refunding Bonds, Series 2013 (the “CFD No. 10 IA D

Refunding Bonds”); (iv) CFD No. 10 Improvement Area E Special Tax Refunding Bonds, Series 2013 (the “CFD No. 10 IA E Refunding Bonds”); (v) Poway Unified School District Community Facilities District No. 11 (Stonebridge Estates) Improvement Area A Special Tax Refunding Bonds, Series 2013 (“CFD No. 11” and the “CFD No. 11 IA A Refunding Bonds,” respectively); (vi) CFD No. 11 Zone 1 Special Tax Bonds, Series 2013 (the “CFD No. 11 Zone 1 Bonds”); (vii) CFD No. 11 Zone 2 Special Tax Refunding Bonds, Series 2013 (the “CFD No. 11 Zone 2 Refunding Bonds”); and (viii) CFD No. 11 Zone 3 Special Tax Refunding Bonds, Series 2013 (the “CFD No. 11 Zone 3 Refunding Bonds”) (collectively, the “Districts,” the “Improvement Areas” and the “Zones”).

Proceeds of the CFD No. 2 IA 1 Bonds will be used to finance eligible school facilities. Proceeds of the CFD No. 10 IA C Refunding Bonds, the CFD No. 10 IA D Refunding Bonds, the CFD No. 10 IA E Refunding Bonds and the CFD No. 11 IA A Refunding Bonds will be used to refund bonds previously issued with respect to each of such applicable Improvement Areas. Proceeds of the CFD No. 11 Zone 1 Bonds will be used to finance eligible school facilities and to refund bonds previously issued with respect to such Zone. The CFD No. 11 Zone 2 Refunding Bonds and the CFD No. 11 Zone 3 Refunding Bonds will be used to refund a portion of the Authority’s \$8,995,000 2009 Revenue Bonds (the “2009 Authority Revenue Bonds”) and thereby discharge a corresponding portion of the bonds previously issued with respect to each applicable Zone, all as further described under “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS.”

The Districts, the Improvement Areas and the Zones

The Districts, the Improvement Areas and the Zones 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 and Zones 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 or Zone). Subject to approval by a two-thirds vote of the qualified voters within a community facilities district, improvement area or zone 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, the Improvement Areas and Zones designated therein, as applicable, and the levy of Special Taxes on the real property within the boundaries of the respective Improvement Areas and Zones and the incurrence by the respective Districts of bonded indebtedness with respect to the Improvement Areas and Zones were authorized pursuant to the Act. Each Improvement Area, except Improvement Area 1 of CFD No. 2, 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. Improvement Area 1 of CFD No. 2 and each Zone of CFD No. 11 was established to finance the acquisition and construction of certain school facilities. Except for Improvement Area 1 of CFD No. 2, the Districts have previously issued special tax bonds with respect to the Improvement Areas and Zones which are being refunded or discharged, in whole or in part, as described herein.

In addition to the bonds issued with respect to each Improvement Area and Zone, the qualified electors in CFD No. 2, CFD No. 10 and CFD No. 11 authorized the applicable District to incur bonded indebtedness to finance the acquisition and construction of school facilities and non-school facilities and approved the levy of special taxes therefore. The amounts authorized, issued and outstanding are set forth in the table below. CFD No. 2 issued an aggregate of \$12,635,000 of bonds for school facilities in 2003 and \$1,598,847.12 in capital appreciation bonds for school facilities in 2007. CFD No. 10 issued an aggregate of \$38,230,000 of bonds for school facilities in 2007, an aggregate of \$9,700,000 of bonds with

respect to Improvement Area A for non-school facilities in 2001, an aggregate of \$6,345,000 of bonds with respect to Improvement Area B for non-school facilities in 2001 and an aggregate of \$1,695,000 of bonds with respect to Improvement Area F for non-school facilities in 2011. Such bonds are not payable from the Special Taxes of any of the Improvement Areas and are payable from special taxes levied under the applicable CFD No. 10 Rate and Method of Apportionment of Special Taxes relating thereto. CFD No. 11 issued an aggregate of \$9,035,000 of bonds with respect to Improvement Area B for non-school facilities in 2005 and an aggregate of \$13,475,000 of bonds with respect to Improvement Area C for non-school facilities in 2005. Such bonds are not payable from the Special Taxes of any of the Improvement Areas and are payable from special taxes levied under the applicable CFD No. 11 Rate and Method of Apportionment of Special Taxes relating thereto. No cross-collateralization exists between Zone 1 and Improvement Area A of CFD No. 11. No cross-collateralization exists among Improvement Area C, Improvement D and Improvement Area E of CFD No. 10. No cross-collateralization exists among any of the Improvement Areas or Zones of CFD No. 11.

The following table sets forth the formation date, the authorized debt, the amount of authorized debt issued and the amount of remaining debt authorized for each District and its Improvement Areas and/or Zones. Principal of and interest on the special tax bonds is not payable from the general fund of the School District. The annual payments for the special tax bonds are secured solely by the annual special tax levied under the applicable rate and method of apportionment of special tax on taxable property in the respective community facilities districts, Improvement Areas or Zones, as applicable, and are not debts of the School District.

Table 1
Poway Unified School District Public Financing Authority
2013 Special Tax Revenue Bonds
Summary of Bonds Authorized and Issued with Respect to the Districts

CFD	Formation Date	Authorized Debt	Amount Issued⁽¹⁾	Amount Outstanding	Amount Being Issued
<u>CFD No. 2</u>					
CFD No. 2	December 15, 1997	\$80,000,000	\$14,233,847	\$12,173,847.12 ⁽²⁾	N/A
Improvement Area 1	December 14, 2009	5,000,000	-0-	-0-	\$2,830,000
<u>CFD No. 10</u>					
Zone 1 and 2	August 27, 2001	\$45,000,000	\$38,230,000 ⁽³⁾	\$37,556,000	N/A
Improvement Area A	August 27, 2001	13,000,000	9,700,000 ⁽⁴⁾	9,370,000	N/A
Improvement Area B	August 27, 2001	9,000,000	6,345,000 ⁽⁴⁾	6,165,000	N/A
Improvement Area C	August 27, 2001	3,000,000	3,000,000	2,845,000	\$2,625,000
Improvement Area D	August 27, 2001	7,000,000	5,125,000	4,810,000	4,275,000
Improvement Area E	August 27, 2001	7,500,000	5,750,000	5,405,000	4,800,000
Improvement Area F	August 27, 2001	3,500,000	1,695,000	1,695,000	N/A
<u>CFD No. 11</u>					
Zone 1	January 20, 2004	⁽⁵⁾	\$9,000,000	\$8,545,000	\$10,310,000⁽⁶⁾
Zone 2	January 20, 2004	⁽⁵⁾	5,150,000	5,150,000	1,870,000⁽⁷⁾
Zone 3	January 20, 2004	⁽⁵⁾	3,845,000	3,845,000	1,390,000⁽⁷⁾
Zone 4	January 20, 2004	⁽⁵⁾	-0-	-0-	N/A
Improvement Area A	January 20, 2004	\$13,500,000	11,000,000	10,435,000	9,685,000
Improvement Area B	January 20, 2004	10,900,000	9,035,000	8,620,000	N/A
Improvement Area C	January 20, 2004	17,400,000	13,475,000	12,955,000	N/A

⁽¹⁾ \$1,598,847.12 of the CFD No. 2 debt is capital appreciation bonds which mature on September 1, 2032.

⁽²⁾ Any remaining authorization does not necessarily reflect amounts that may be issued due to special tax constraints under each rate and method of apportionment or other factors.

⁽³⁾ CFD No. 10 bonds to finance school facilities were issued in 2007 and acquired by the Authority from the proceeds of its 2007 Revenue Bonds.

⁽⁴⁾ Amount issued indicates bonds issued to finance facilities. Bonds have been refunded and the actual amount of refunding bonds issued differs from the values shown.

⁽⁵⁾ CFD No. 11 is authorized to issue \$60,000,000 aggregate principal amount of bonds, including bonds with respect to Zones 1 through 4.

⁽⁶⁾ Proceeds will be used to (i) finance school facilities and (ii) to refund all of the Prior CFD Bonds (defined below) with respect to Zone 1.

⁽⁷⁾ Proceeds will be used to refund (i) all but \$3,030,000 of the Prior CFD Bonds with respect to Zone 2 and (ii) all but \$2,275,000 of the Prior CFD Bonds with respect to Zone 3.

Source: School District.

CFD No. 2 and Improvement Area 1 of CFD No. 2. CFD No. 2 includes several non-contiguous areas of land located in that portion of the School District within the boundaries of the City of San Diego. Improvement Area 1 of CFD No. 2 is located on the easterly side of Camino Del Sur approximately ½ mile north of the 56 (Ted Williams) Freeway in the northern portion of the City of San Diego. CFD No. 2 originally encompassed approximately 1,071 gross acres but owners of approximately 470 gross acres requested creation of CFD No. 10 to finance both school facilities and other public facilities and the approximately 470 gross acres is no longer subject to the CFD No. 2 Special Tax, leaving approximately 601 gross acres (approximately 85 net acres) encompassing approximately 565 residential units. In addition, the owner of an approximately 150-unit apartment complex prepaid its Special Taxes and is no longer subject to the levy of Special Taxes. CFD No. 2 is located in the north part of Torrey Highlands Subarea IV, in the north part of the City of San Diego. 457 single-family homes are subject to the special

tax for CFD No. 2 and of such homes, 108 are also subject to the CFD No. 2 Improvement Area 1 Special Tax.

Improvement Area 1 of CFD No. 2 was formed at the request of a property owner in 2009. The qualified electors in Improvement Area 1 of CFD No. 2 authorized Improvement Area 1 of CFD No. 2 to incur \$5,000,000 aggregate principal amount of bonded indebtedness to finance the acquisition and construction of school facilities and approved the levy of special taxes therefore. Improvement Area 1 of CFD No. 2 includes a contiguous area of land located on the easterly side of Camino Del Sur approximately ½ mile north of the 56 (Ted Williams) Freeway in the northern portion of the City of San Diego. Improvement Area 1 of CFD No. 2 encompasses approximately 18.6 net acres encompassing approximately 108 residential units. The specific information for Improvement Area 1 of CFD No. 2 regarding the number of single-family detached homes is described in “THE DISTRICTS.”

Improvement Areas C, D and E 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. 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 I-15 Freeway near the Interchange of the 56 (Ted Williams) Freeway and Camino Del Sur. Improvement Areas C, D and E of CFD No. 10 encompass approximately 11 net acres developed with 107 single-family detached units and 84 condominium units, 22.6 net acres developed with 142 single-family detached homes and 17.6 net acres developed with 275 multi-family attached units, respectively. All of the dwelling units have been completed and sold within Improvement Areas C, D and E and are classified as Developed Property. (The term “Developed Property” as used herein shall have the meaning given such term as defined in the Rate and Method for the applicable Improvement Area or Zone.) 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.”

Improvement Area A and Zones 1, 2 and 3 of CFD No. 11. CFD No. 11 is contiguous and is generally located south of Beeler Canyon Road and east of Pomerado Road in the southernmost portion of the School District and in the northeast part of the City of San Diego. CFD No. 11 is located about four miles east of the I-15 Freeway, easterly of Pomerado Road and approximately one mile south of Scripps Poway Parkway. CFD No. 11, which encompasses all of the property in the Rancho Encantada Precise Planned Community, consists of approximately 2,658 gross acres. StoneBridge Estates is the current name of the entire project proposed to be developed in CFD No. 11, which is comprised of two sub-project areas, known as Montecito and Sycamore Estates. The Montecito sub-project area encompasses approximately 62.4 net acres in Zone 1/Improvement Area A and the Sycamore Estates sub-project area encompasses approximately 99.9 net acres in Improvement Area B/Zone 2 and approximately 166 net acres in Improvement Area C/Zone 3. CFD No. 11 also includes approximately 248 acres of open space owned by the City of San Diego which is located within Zone 4. The residential portion of the StoneBridge Estates project is proposed to be developed by various merchant builder entities, including some related to the respective members of Sycamore Estates LLC, a Delaware limited liability company, the master developer of the property in CFD No. 11. The specific information for Improvement Area A and Zones 1, 2 and 3 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 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 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 of San Diego and the County, including the communities of StoneBridge Estates, 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, 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 reported 34,135 students enrolled at the California Basic Educational Data System (“CBEDS”) for Fiscal Year 2010-11, 34,569 students enrolled at the CBEDS for Fiscal Year 2011-12 and estimates approximately 35,151 of students enrolled at the CBEDS during Fiscal Year 2012-13. See APPENDIX A – “General Information About the Poway Unified School District” herein.

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. CFD No. 2, CFD No. 10 and CFD No. 11 with respect to Improvement Area A/Zone 1 may issue bonds on a parity with the CFD Bonds for refunding purposes. CFD No. 11 with respect to Zone 2 and Zone 3 may issue bonds on a parity with the CFD Bonds for new money or for refunding purposes. CFD No. 11 with respect to Zone 2 and with respect to Zone 3 has parity bonds issued in 2009 which mature on September 15, 2039, which are not being redeemed and which will be on a parity with the CFD No. 11 Zone 2 Bonds and CFD No. 11 Zone 3 Refunding Bonds, respectively. See “SOURCES OF PAYMENT FOR THE BONDS – Additional CFD Bonds” and “SOURCES OF PAYMENT FOR THE BONDS – Estimated Schedule of CFD Bond Debt Service.”

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 by the Trustee pursuant to the Authority Indenture, other than the Program Fund (including the Costs of Issuance Account therein), the Authority Administrative Expense Fund and the Rebate Fund. The Trustee will also establish a Reserve Fund and an Authority Surplus Fund for the Bonds pursuant to the Authority Indenture. See “– Reserve Fund” and “–Authority Surplus Fund” below.

Generally, “Revenues” are (i) all amounts derived by the Authority from the CFD Bonds; (ii) all Residual Special Tax Revenues (as defined below in “– *Authority Surplus Fund*”) transferred to the Trustee pursuant to the CFD Bond Indentures, (iii) all moneys originally deposited with the Trustee for application for payment of principal of 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, excluding for the Program Fund, the Authority Administrative Expense Fund and the Rebate Fund, and (iv) 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 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 or Zone on a parity with the applicable CFD Bonds. CFD No. 2, CFD No. 10 and CFD No. 11 with respect to Improvement Area A/Zone 1 may issue bonds on a parity with the CFD

Bonds for refunding purposes. CFD No. 11 with respect to Zone 2 and Zone 3 may issue bonds on a parity with the CFD Bonds for new money or for refunding purposes. In each case, issuance of such CFD Bonds is 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 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 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 and, certain amounts held under the Authority Indenture as more fully described herein.

The CFD Bonds. The CFD Bonds are being issued pursuant to the Act, (i) to finance school facilities with respect to Improvement Area 1 of CFD No. 2 and Zone 1 of CFD No. 11, (ii) to refund the Prior CFD Bonds issued with respect to Improvement Areas C, D and E of CFD No. 10 and Zone 1 of CFD No. 11 and Improvement Area A of CFD No. 11 and (iii) to refund a portion of the 2009 Authority Revenue Bonds and thereby discharge a portion of the Prior CFD Bonds issued with respect to Zone 2 and Zone 3 of CFD No. 11. The CFD 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 January 1, 2013, each by and between the applicable District and Zions First National Bank, as Fiscal Agent (the “Fiscal Agent”) for each Series of CFD Bonds.

The CFD Bonds are limited obligations of each District, payable from the net amount of Special Tax levied on real property within the respective boundaries of each of the Improvement Areas and Zones, 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 or Zone. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD 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 and Zone (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 or Zone 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 or Zone pledged to the repayment of the respective CFD Bonds in an amount sufficient to pay annual debt service on the respective CFD Bonds and to pay the administrative expenses related to the applicable Improvement Area or Zone, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within such Improvement Area or Zone. 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 or Zone. See “THE DISTRICTS” for a description of the Districts and a description of the Special Tax within each applicable Improvement Area or Zone. See also “SOURCES OF PAYMENT FOR THE BONDS” and “BOND OWNERS’ RISKS” herein.

The CFD Bonds are special obligations of each District with respect to the applicable Improvement Area or Zone. The CFD Bonds do not constitute a debt or liability of the School District, the State or of any political subdivision thereof, other than the applicable District with respect to the applicable Improvement Area or Zone. Each District shall only be obligated to pay the principal of the applicable CFD 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 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 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 Tax Code. A separate “Reserve Fund Credit Amount” is established with respect to each series of CFD Bonds, such amount being, as of the date of calculation, 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 outstanding principal of the applicable series of CFD Bonds and the denominator equal to the total outstanding principal of all of CFD Bonds. 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 CFD Bonds, an amount equal to the CFD Bonds Reserve Fund Credit Amount applicable to such series of CFD Bonds, minus the amount, if any, of any transfer previously necessitated as a result of a deficiency in the scheduled payment of principal of or interest on such series of CFD 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 CFD Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on such CFD Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of such CFD Bonds on such date. See “SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund” and APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust.”

Authority Surplus Fund

It is currently anticipated that annual Net Special Tax Revenues (as defined below) available for debt service on the CFD Bonds will exceed the debt service on the CFD Bonds and such excess is defined as “Residual Special Tax Revenues” and will be transferred to the Authority on September 2 of each year (or after September 2 if funds become available after September 2) for deposit to the Authority Surplus

Fund and available on or before September 15 for, among other things transfer by the 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 in the event that moneys in the Revenue Fund are insufficient to make any deposits required for such purposes pursuant to the Authority Indenture, (iii) to the Rebate Fund to increase the amount on deposit therein to the Rebate Requirement in the event that moneys in the Revenue Fund are insufficient to make any deposits required for such purposes pursuant to the Authority Indenture and (iv) to the Authority Administrative Expense Fund in the event moneys in the Revenue Fund are insufficient to make any deposit required for such purposes pursuant to the Authority Indenture. See “THE BONDS” – Estimated Debt Service Schedule” and “SOURCES OF PAYMENT FOR THE BONDS –Authority Surplus Fund.”

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 from the Surplus Fund as provide in the Authority Indenture. See Appendix D hereto.

Sources of Payment for the CFD Bonds

The CFD Bonds will be secured by the applicable Net Special Tax Revenues received with respect to the applicable Improvement Area or Zone and pledged to repay such CFD Bonds and by moneys in the applicable Bond Service Fund and 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 or Zone, 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 or Zone.

Each District has covenanted for the benefit of the Authority, as the owner of the CFD 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 Bonds. Except for the Net Special Tax Revenues, no other taxes are pledged to the payment of the CFD Bonds. The CFD 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 Bonds. The Special Taxes levied to pay debt service on one series of CFD Bonds are not available to pay debt service on any other series of CFD Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds” and “BOND OWNERS’ RISKS.” However, it is currently anticipated that annual Net Special Tax Revenues available for debt service on the CFD Bonds will exceed the debt service on the CFD Bonds. Any such excess will be transferred to the Trustee first in relation to amounts attributable to the applicable CFD Bonds and then for deposit in the Authority Surplus Fund be applied as described above in “ – Authority Surplus Fund.” See also “SOURCES OF PAYMENT FOR THE BONDS –Authority Surplus Fund” and “ – The CFD Bonds – *Special Tax Fund.*”

Assessed Value Analysis and Summary Appraisal Report

An appraisal or an assessed value analysis of the taxable properties categorized as Developed Property within the Districts (the “Assessed Value Analysis and Summary Appraisal Report”), was prepared by Stephen G. White, MAI of Fullerton, California (the “Appraiser”), in connection with issuance of the Bonds.

The purpose of the appraisal of Improvement Area 1 of CFD No. 2 and of Zone 2 and Zone 3 of CFD No. 11 was to estimate the separate aggregate market values on a mass appraisal basis of the as is condition of the pertinent parcels within the 11 different tracts or product types of homes within Improvement Area 1 of CFD No. 2 and of Zone 2 and Zone 3 of CFD No. 11. The as is condition market value reflects the status of completed-sold homes (509 homes), completed-unsold homes (11 homes, of which 7 are models), homes under construction (14 homes) and vacant lots (3 lots) for which building permits had been issued as of May 1, 2012 but construction was not yet underway. The Assessed Value Analysis and Summary Appraisal Report is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of October 1, 2012, the Appraiser estimated that the aggregate market value of the completed-sold homes, completed-unsold homes, homes under construction and vacant lots for which building permits have been issued within Improvement Area 1 of CFD No. 2 and within Zone 2 and Zone 3 of CFD No. 11 was \$487,830,000. (The appraisal of homes in Improvement Area 1 of CFD No. 2 and within Zone 2 and Zone 3 of CFD No. 11 excludes approximately 5 completed sold homes for which the Special Taxes have been prepaid and excludes 117 vacant lots for which building permits have not been issued.)

The purpose of the assessed value analysis of the homes within Improvement Area C, Improvement Area D and Improvement Area E of CFD No. 10 and of Improvement Area A/Zone 1 of CFD No. 11 was to consider the total and the average assessed values, which are as of January 1, 2012, for the pertinent parcels located in 8 different tracts or product types of homes. In addition, the range and average of the percentage variance from sale prices to assessed value is calculated for homes in Improvement Area C, Improvement Area D and Improvement Area E of CFD No. 10 and of Improvement Area A and Zone 1 of CFD No. 11 where a closed sale has occurred since January 1, 2012, or pending sales existed as of the October 1, 2012, date of value. It is noted that the percentage variance is calculated by sale price minus assessed value, divided by assessed value, and the average percent variance is a weighted average. The total of the assessed values for Improvement Area C, Improvement Area D and Improvement Area E of CFD No. 10 and of Improvement Area A/ Zone 1 of CFD No. 11 is \$456,574,421. (The assessed value analysis of the homes in Improvement Area C, Improvement Area D and Improvement Area E of CFD No. 10 and of Improvement Area A/Zone 1 of CFD No. 11 excludes one home for which the Special Taxes have been prepaid.)

The combined total of the analyses of each of the Improvement Areas and Zones aggregates \$944,404,421. See “THE DISTRICTS – Estimated Property Values and Estimated Value-to-Lien Ratios,” “THE DISTRICTS – Direct and Overlapping Debt” and “BOND OWNERS’ RISKS – The CFD Bonds – *Value-to-Lien Ratios*” herein and APPENDIX C – “ASSESSED VALUE ANALYSIS AND SUMMARY APPRAISAL REPORT” appended hereto for further information on the Assessed Value Analysis and Summary Appraisal Report and for limiting conditions relating to the Assessed Value Analysis and Summary Appraisal Report.

Value-to-Lien Ratios

The aggregate appraised or assessed values of the property within each Improvement Area or Zone (excluding Exempt Property (as defined in each Rate and Method) and parcels for which Special Taxes have been prepaid) are set out in Table 10A in “THE DISTRICTS – Estimated Property Values and Estimated Value-to-Lien Ratios.”

The appraised and assessed values result in estimated value-to-lien ratios with respect to each Improvement Area and Zone ranging from 9.49:1 to 15.64:1, 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 Property Values and Estimated Value-to-Lien Ratios,” and “– Direct and Overlapping Debt,” and “BOND OWNERS’ RISKS – The CFD Bonds – *Value-to-Lien Ratios*” herein for further information on the appraised values and assessed values and for assumptions and limiting conditions relating to the Assessed Value Analysis and Summary Appraisal Report. The appraised value or assessed value of a property does not necessarily represent the market value for such property.

Additional Bonds; Additional CFD Bonds

The Authority Indenture permits the issuance of additional debt on a parity with the Bonds for refunding purposes. Each District may issue special tax bonds on a parity with the CFD Bonds subject to compliance with the provisions of the applicable CFD Bond Indenture. CFD No. 2, CFD No. 10 and CFD No. 11 with respect to Improvement Area A/Zone 1 may issue bonds on a parity with the CFD Bonds for refunding purposes. CFD No. 11 with respect to Zone 2 and Zone 3 may issue bonds on a parity with the CFD Bonds for new money or for refunding purposes.

Description of the Bonds

The Bonds. The net proceeds of the Bonds will be used to acquire the CFD Bonds of each District, to fund the Reserve Fund with Bond proceeds and to pay costs of issuance of the Bonds and the CFD Bonds. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE DISTRICTS” herein.

Payments. Interest is payable on September 15, 2013, 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 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 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 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. Grant Thornton, Minneapolis, Minnesota, is acting as Verification Agent.

The Assessed Value Analysis and Summary Appraisal Report 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 Appraiser fees 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 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, 2014 (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 Rulemaking Board (“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 Improvement Area and Zone 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 Planning Director of the Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3034. There may be a charge for copying, mailing and handling of any documents.

THE FINANCING PLAN

The Bonds are being issued for the purpose of providing funds to the Authority to purchase the CFD Bonds. Proceeds of the sale to the Authority (i) of the CFD No. 2 IA 1 Bonds will be used to finance eligible school facilities, (ii) of the CFD No. 10 IA C Refunding Bonds, the CFD No. 10 IA D Refunding Bonds, the CFD No. 10 IA E Refunding Bonds and the CFD No. 11 IA A Refunding Bonds will be used to refund bonds previously issued with respect to each of such applicable Improvement Areas, (iii) of the CFD No. 11 Zone 1 Bonds will be used to finance eligible school facilities and to refund bonds previously issued with respect to Zone 1 and (iv) of the CFD No. 11 Zone 2 Refunding Bonds and the CFD No. 11 Zone 3 Refunding Bonds will be used to refund a portion of the 2009 Authority Revenue Bonds and thereby discharge a portion of the Prior CFD Bonds issued with respect to Zone 2 and Zone 3 of CFD No. 11. Each series of previously issued bonds with respect to the applicable Improvement Areas and Zones which are being refunded or discharged, as applicable, are referred to herein as “Prior CFD Bonds.” The amount of Prior CFD Bonds issued with respect to each Improvement Area and Zone and the amount of Prior CFD Bonds outstanding therefore is set forth below:

Table 2
Poway Unified School District Public Financing Authority
2013 Special Tax Revenue Bonds
Prior CFD Bonds Issued, Outstanding and Being Refunded or Discharged

Improvement Area	Authorized Aggregate Principal Amount of Bonds	Aggregate Prior CFD Bonds Issued	Prior CFD Bonds Outstanding for Each Improvement Area/Zone	Prior CFD Bonds Being Refunded or Discharged	Redemption Price	Redemption Date
CFD No. 2, Improvement Area 1 ⁽¹⁾	\$5,000,000	\$0	\$0	\$0	N/A	N/A
CFD No. 10, Improvement Area C	3,000,000	3,000,000	2,845,000	2,845,000	102%	3/1/2013
CFD No. 10, Improvement Area D	7,000,000	5,125,000	4,810,000	4,810,000	100%	3/1/2013
CFD No. 10, Improvement Area E	7,500,000	5,750,000	5,405,000	5,405,000	100%	3/1/2013
CFD No. 11, Improvement Area A	13,500,000	11,000,000	10,435,000	10,435,000	101%	3/1/2013
CFD No. 11, Zone 1	⁽²⁾	9,000,000	8,545,000	8,545,000	101%	3/1/2013
CFD No. 11, Zone 2	⁽²⁾	5,150,000	5,130,000	2,045,000 ⁽³⁾	103%	3/15/2013
CFD No. 11, Zone 3	⁽²⁾	3,845,000	3,820,000	1,520,000 ⁽³⁾	103%	3/15/2013
CFD No. 11, Zone 4	⁽²⁾	0	0	0	N/A	N/A

¹ CFD No. 2 is authorized to issue \$80,000,000 aggregate principal amount of bonds. On March 30, 2003, CFD No. 2 issued \$12,635,000 aggregate principal amount of bonds, of which \$10,575,000 is outstanding. On June 20, 2007, CFD No. 2 issued \$1,598,847.12 aggregate principal amount of capital appreciation bonds, all of which is outstanding. The remaining authorization does not necessarily reflect amounts that may be used due to special tax constraints under each rate and method of apportionment of special taxes or other factors.

² CFD No. 11 is authorized to issue \$60,000,000 aggregate principal amount of bonds, including bonds with respect to Zones 1 through 4. In addition, CFD No. 11 is authorized to issue \$10,900,000 aggregate principal amount of bonds with respect to Improvement Area B, of which \$9,035,000 was issued on June 16, 2005, and \$8,665,000 of such Improvement Area B Bonds are outstanding, and \$17,400,000 aggregate principal amount of bonds with respect to Improvement Area C, of which \$13,475,000 was issued on June 16, 2005, and \$12,985,000 of such Improvement Area C Bonds are outstanding. With respect to CFD No. 11, taxable property within Zone 1 and Improvement Area A is coterminous, taxable property within Zone 2 and Improvement Area B is coterminous and taxable property within Zone 3 and Improvement Area C is coterminous.

³ With respect to the Prior CFD Bonds for Zone 2 and Zone 3 of CFD No. 11, the term bonds maturing September 1, 2039, are not subject to optional redemption until September 1, 2019, but are subject to mandatory redemption from prepaid Special Taxes on any interest payment date. \$55,000 and \$25,000 of prepayments have been received by CFD No. 11 with respect to Zone 2 and Zone 3, respectively. Such amounts will be applied to the mandatory redemption of Prior CFD Bonds with respect to Zone 2 and Zone 3, pro rata among maturities, resulting in approximately \$55,000 and \$25,000 of such amounts being applied to the mandatory redemption of the term bonds maturing September 1, 2039. The mandatory redemptions with respect to Prior CFD Bonds with respect to Zone 2 and Zone 3 are in addition to the amounts shown in the table.

Refundings. Proceeds from the sale of each series of CFD Bonds, except proceeds of CFD Bonds with respect to Improvement Area 1 of CFD No. 2, together with certain available moneys on hand, including moneys held in certain funds relating to the Prior CFD Bonds (but excluding prepaid Special Taxes with respect to Zone 2 and Zone 3 of CFD No. 11), will be deposited (i) in the case of CFD No. 10 with respect to Improvement Areas C, D and E, and in the case of CFD No. 11 with respect to Zone 1 and Improvement Area A, into an escrow fund established under an escrow agreement, dated as of January 1,

2013 (each a “CFD Escrow Agreement”), each by and between the applicable District and Zions First National Bank, as escrow agent (the “Escrow Agent”), and (ii) in the case of CFD No. 11 with respect to Zones 2 and 3, into an escrow fund established under an escrow agreement, dated as of January 1, 2013, by and between the Authority and Zions First National Bank, as escrow agent (the “Authority Escrow Agreement” and together with the CFD Escrow Agreements, the “Escrow Agreements”) and used to refund a portion of the 2009 Authority Revenue Bonds and thereby discharge a portion of the Prior CFD Bonds issued with respect to Zone 2 and Zone 3 of CFD No. 11 on March 15, 2013 (2009 Authority Revenue Bonds) and March 1, 2013 (Prior CFD Bonds), as indicated in the table above.

Pursuant to the Prior CFD Bond Indentures with respect to CFD No. 10, Improvement Areas C, D and E and the Prior CFD Bond Indentures with respect to CFD No. 11, Improvement Area A and Zone 1, such Prior CFD Bonds will be defeased. Pursuant to the Prior Authority Indenture with respect to the 2009 Authority Revenue Bonds and the Prior CFD Bond Indentures, as amended by the First Amendment to Bond Indentures, each dated as of January 1, 2013, with respect to CFD No. 11, Zone 2 and Zone 3, the defeasance of the 2009 Authority Revenue Bonds will cause a corresponding discharge of the Prior CFD Bonds with respect to CFD No. 11, Zone 2 and Zone 3, as set forth in the table above.

Amounts deposited under the Escrow Agreements will be held in escrow accounts and may be held in cash. The principal of such deposits 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 and 2009 Authority Revenue Bonds, to and including March 1, 2013 or March 15, 2013, as applicable, at the redemption prices set forth in the table on the previous page, plus accrued interest to March 1, 2013 and March 15, 2013, respectively. 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 or 2009 Authority Revenue Bonds will be defeased or discharged, as applicable, 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 and 2009 Authority Revenue Bonds relating to: (i) the adequacy of forecasted receipts of principal and interest on the cash to be held pursuant to the applicable Escrow Agreement; (ii) forecasted payments of principal and interest with respect to the Prior CFD Bonds and 2009 Authority Revenue Bonds on March 1, 2013 or March 15, 2013, as applicable; and (iii) yields with respect to the 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 and the 2009 Authority Revenue Bonds.

School Facilities. A portion of the proceeds from the sale of the CFD No. 2 IA 1 Bonds and the CFD No. 11 Zone 1 Bonds will be used, together with other available moneys, to finance the planning and construction of eligible school facilities. “School Facilities Costs” means the amounts necessary to pay for the acquisition or construction of School Facilities and incidental expenses associated therewith of the type authorized to be financed under the Act.

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 Principal Amount	\$37,785,000.00
Underwriter's Discount	(338,004.75)
Net Original Issue Premium	2,845,865.80
Funds Relating to Prior CFD Bonds	<u>4,579,097.29</u>
Total	\$44,871,958.34

Uses:

Acquisition of CFD Bonds ⁽¹⁾	\$41,743,025.11
Reserve Fund ⁽²⁾	2,690,074.14
Costs of Issuance ⁽³⁾	<u>438,859.09</u>
Total	\$44,871,958.34

⁽¹⁾ A portion of the proceeds of each Series of CFD Bonds will be deposited by the applicable District in the applicable Escrow Fund and/or School Facilities Fund. See "– CFD Bonds" below.

⁽²⁾ 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 Bonds below for the contribution with respect to each Improvement Area or Zone.

⁽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 Bonds below. Costs of Issuance includes, among other things, rating agency fees, the fees and expense of Bond Counsel, Disclosure Counsel, the Financial Advisor, the cost of printing the preliminary and final Official Statements, fees and expenses of the Trustee, the Fiscal Agent, the escrow agent, the verification agent, the cost of the Assessed Value Analysis and Summary Appraisal Report, and the fees of the Special Tax Consultant.

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, Appraiser fees, Trustee fees, Fiscal Agent fees, printing costs and other costs associated with issuance of the Bonds and the CFD Bonds. Debt service on the CFD Bonds will be payable from special tax collections. See the applicable description of the uses of CFD Bonds below. See "SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund."

CFD Bonds. The proceeds received from the Authority for the sale of the CFD Bonds, together with certain Special Taxes previously collected, will be used to fund a deposit to the School Facilities Fund and/or refund or discharge outstanding special tax bonds with respect to each respective Improvement Area and Zone, all as provided below:

	CFD No. 2 IA 1	CFD No. 10 IA C	CFD No. 10 IA D	CFD No. 10 IA E	CFD No. 11 IA A	CFD No. 11 Zone 1	CFD No. 11 Zone 2	CFD No. 11 Zone 3	Total
<i>Sources:</i>									
CFD Bonds									
Principal Amount	\$2,830,000.00	\$2,625,000.00	\$4,275,000.00	\$4,800,000.00	\$9,685,000.00	\$10,310,000.00	\$1,870,000.00	\$1,390,000.00	\$37,785,000.00
Accrued Interest	4,719.65	4,484.38	7,344.17	8,238.61	16,475.28	17,314.06	3,430.00	2,549.17	64,555.32
Auth. Prem./Disc. ⁽¹⁾	-208,993.59	355,945.00	670,252.50	758,882.50	1,130,006.88	647,651.50	309,612.50	230,112.50	3,893,469.79
Total	<u>\$2,625,726.06</u>	<u>\$2,985,429.38</u>	<u>\$4,952,596.67</u>	<u>\$5,567,121.11</u>	<u>\$10,831,482.16</u>	<u>\$10,974,965.56</u>	<u>\$2,183,042.50</u>	<u>\$1,622,661.67</u>	<u>\$41,743,025.11</u>
<i>Uses:</i>									
Escrow Fund	—	\$2,980,945.00	\$4,945,252.50	\$5,558,882.50	\$10,815,006.88	\$8,856,180.63	\$2,179,612.50	\$1,620,112.50	\$36,955,992.51
School Fac. Fund	\$2,621,006.41	—	—	—	—	2,101,470.87	—	—	4,722,477.28
Accrued Interest	4,719.65	4,484.38	7,344.17	8,238.61	16,475.28	17,314.06	3,430.00	2,549.17	64,555.32
Total	<u>\$2,625,726.06</u>	<u>\$2,985,429.38</u>	<u>\$4,952,596.67</u>	<u>\$5,567,121.11</u>	<u>\$10,831,482.16</u>	<u>\$10,974,965.56</u>	<u>\$2,183,042.50</u>	<u>\$1,622,661.67</u>	<u>\$41,743,025.11</u>

(1) Represents each Improvement Area or Zone's proportionate share of a portion of (i) the Cost of Issuance, (ii) the Reserve Fund Requirement, (iii) the Underwriter's discount with respect to the Authority Bonds, (iv) the original issue premium with respect to the Authority Bonds and the funds relating to the Prior CFD Bonds.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Joint Powers 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 Bonds. The CFD Bonds are issued upon and primarily secured by certain Special Taxes levied against parcels of land within each applicable Improvement Area and Zone.

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 September 15, 2013 (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 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, postage prepaid, on each Interest Payment Date 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) (the “Record Date”) or by wire transfer to an account within the United States of America made on such Interest Payment Date to any Owner of \$1,000,000 or more in an aggregate principal amount of Bonds who shall have requested such transfer pursuant to written notice filed with the Trustee on or before the preceding Record Date. Interest on the Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless: (1) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date; (2) a Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Dated Date provided in the form of the Bonds; or (3) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the Person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than fifteen (15) days prior to such Special Record Date.

Redemption

Optional Redemption. The Bonds maturing on or prior to September 15, 2023, are not subject to optional redemption before maturity. The Bonds maturing on or after September 15, 2024, may be redeemed at the option of the Authority prior to maturity, as a whole or in part on any date on and after September 15, 2023, from such maturities as are selected by the Authority and by lot within a maturity, from any source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Special Mandatory Redemption. All Bonds are subject to special mandatory redemption prior to maturity from proceeds received by the Authority as a result of mandatory redemption of CFD 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:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through and including March 15, 2021	103%
September 15, 2021 and March 15, 2022	102
September 15, 2022 and March 15, 2023	101
September 15, 2023 and each Interest Payment Date thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on September 15, 2032, are subject to mandatory sinking fund redemption, in part by lot, on September 15 in each year commencing September 15, 2031, 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 principal amount and in the years shown on the following redemption schedule:

2032 Term Bonds

<u>Sinking Fund Redemption Date (September 15)</u>	<u>Principal Amount</u>
2031	\$2,845,000
2032 (maturity)	3,065,000

The Bonds maturing on September 15, 2036, are subject to mandatory sinking fund redemption, in part by lot, on September 15 in each year commencing September 15, 2033, 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 principal amount and in the years shown on the following redemption schedule:

2036 Term Bonds

<u>Sinking Fund Redemption Date (September 15)</u>	<u>Principal Amount</u>
2033	\$1,900,000
2034	1,725,000
2035	935,000
2036 (maturity)	995,000

The Bonds maturing on September 15, 2042, are subject to mandatory sinking fund redemption, in part by lot, on September 15 in each year commencing September 15, 2037, 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 principal amount and in the years shown on the following redemption schedule:

2042 Term Bonds

Sinking Fund Redemption Date (September 15)	Principal Amount
2037	\$800,000
2038	175,000
2039	185,000
2040	200,000
2041	215,000
2042 (maturity)	225,000

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[®] 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 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) Redemption of CFD Bonds which cause a special mandatory redemption of the Bonds;
- (iii) Issuance of refunding bonds – pursuant to the Joint Powers Act, the Authority may issue refunding bonds for the purpose of redeeming the Bonds; and
- (iv) Accumulation of investment income in the Bond Fund or the Bond Service Fund.

Transfer and Exchange of Bonds

Any Bond may be transferred upon the registration books by the person in whose name it is registered, in person or by his duly authorized attorney, 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 3
Poway Unified School District Public Financing Authority
2013 Special Tax Revenue Bonds
Annual Debt Service Schedule¹

Year Ending (September 15)	Principal	Interest	Total
2013	\$415,000.00	\$972,940.77	\$1,387,940.77
2014	585,000.00	1,651,693.76	2,236,693.76
2015	640,000.00	1,639,993.76	2,279,993.76
2016	715,000.00	1,627,193.76	2,342,193.76
2017	805,000.00	1,605,743.76	2,410,743.76
2018	905,000.00	1,581,593.76	2,486,593.76
2019	975,000.00	1,554,443.76	2,529,443.76
2020	1,065,000.00	1,525,193.76	2,590,193.76
2021	1,185,000.00	1,482,593.76	2,667,593.76
2022	1,315,000.00	1,435,193.76	2,750,193.76
2023	1,430,000.00	1,382,593.76	2,812,593.76
2024	1,565,000.00	1,325,393.76	2,890,393.76
2025	1,715,000.00	1,247,143.76	2,962,143.76
2026	1,875,000.00	1,161,393.76	3,036,393.76
2027	2,070,000.00	1,067,643.76	3,137,643.76
2028	2,225,000.00	964,143.76	3,189,143.76
2029	2,415,000.00	852,893.76	3,267,893.76
2030	2,620,000.00	732,143.76	3,352,143.76
2031	2,845,000.00	601,143.76	3,446,143.76
2032	3,065,000.00	458,893.76	3,523,893.76
2033	1,900,000.00	305,643.76	2,205,643.76
2034	1,725,000.00	227,268.76	1,952,268.76
2035	935,000.00	156,112.50	1,091,112.50
2036	995,000.00	117,543.76	1,112,543.76
2037	800,000.00	76,500.00	876,500.00
2038	175,000.00	42,500.00	217,500.00
2039	185,000.00	35,062.50	220,062.50
2040	200,000.00	27,200.00	227,200.00
2041	215,000.00	18,700.00	233,700.00
2042	225,000.00	9,562.50	234,562.50
Total	\$37,785,000.00	\$25,886,065.99	\$63,671,065.99

¹Debt service declines commencing in 2033, as CFD Bonds for certain Improvement Areas and Zones mature. See Table 6.

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

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

Each series of CFD Bonds are independent obligations and the security for one obligation does not constitute security for the other. The Special Taxes levied to pay debt service on one series of CFD Bonds are not available to pay debt service on any other series of CFD Bonds with the exception of Residual Special Tax Revenues. The aggregate payments due on each of the CFD 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 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 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 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) and Residual Special Tax Revenues (which shall be directly deposited in the Surplus Fund), 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 within the Interest Account, 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, and 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 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 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 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 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 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 notify the Authority of any moneys remaining on deposit in the Revenue Fund and transfer all such amounts to the Authority 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 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 “issue price” (as defined in the Treasury Regulations) 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 \$2,690,074.14.

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 on the Bonds when due, in the event that moneys in the Bond Fund are insufficient therefor or (ii) 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.

The Trustee shall, pursuant to a Written Certificate of the Authority, disburse or transfer from the amount then on deposit in the Reserve Fund on the final maturity date of each series of CFD Bonds, an amount equal to the CFD Bonds Reserve Fund Credit Amount applicable to such series of CFD Bonds, minus the amount, if any, 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 CFD 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 CFD Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on such CFD Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of such CFD Bonds on such date.

Authority 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 applicable Account within the Authority Surplus Fund in accordance with the Authority Indenture. Additionally, any Residual Special Tax Revenues transferred by the Fiscal Agent pursuant to any CFD Indenture to the Trustee shall be deposited in the applicable Account in the Authority Surplus Fund immediately upon receipt thereof.

Moneys deposited in the Authority Surplus Fund on or before September 15 of any Bond Year shall be withdrawn proportionately 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 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 phrases (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.

Following the receipt of moneys from the Fiscal Agent for any Series of Special Tax Bonds transferred to the Trustee pursuant to the applicable CFD Bond Indenture to replenish any advance and transfer from an Account in the Surplus Fund made pursuant to phrases (a) through (d) above, the Trustee shall deposit such moneys in the applicable Account in the Surplus Fund pursuant to the Written Request of the Authority directing the transfer of such moneys to the Trustee.

Moneys remaining on deposit in the Authority 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 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 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 Bond(s), the Revenues to be paid to the Trustee (assuming the timely payment of the amounts due thereon with regard to any

CFD 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 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 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 Account to be applied to the redemption, purchase or defeasance of Bonds, as appropriate.

The CFD Bonds

General. The CFD 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 Improvement Area or Zone 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 or Zone 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 or Zone, including the limitation imposed by Section 53321 of the Act as applied to each District. 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 or Zone as more particularly described therein. 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 and Zone are exempt from the tax rate limitations of California Constitution Article XIII A pursuant to Section 4 thereof as “special tax” authorized by a two-thirds vote of the qualified electors with respect to each Improvement Area or District, as applicable. 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 or District have approved. See “*Special Taxes*” below. However, Article XIII C of the California Constitution may allow the voters in each Improvement Area or District, as applicable (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 Bonds – *Right to Vote on Taxes Act*” and “BOND OWNERS’ RISKS – The CFD Bonds – *Ballot Initiatives and Legislative Measures*.” See “THE DISTRICTS – Rates and Methods of Apportionment of Special Tax.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE CFD BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE CFD BONDS. THE CFD 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 and Zone, 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, in the case of the Zones of CFD No. 11, has been recorded in the Official Records of the County.

The CFD Bonds are secured by, among other things, a pledge of Net Special Tax Revenues. Net Special Tax Revenues include the Special Taxes levied by each District and any prepayments of Special Taxes received by each District with respect to the applicable Improvement Area and Zone 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 as established pursuant to the applicable CFD Bond Indenture. 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 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 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 and Zone. 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 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 2012-13 Special Tax Levy with respect to each Improvement Area and Zone.

Table 4
Poway Unified School District Public Financing Authority
2013 Special Tax Revenue Bonds
Combined Fiscal Year 2012-13 Special Tax Levy

CFD No./Improvement Area/Zone	Units Levied	Special Taxes Levied	FY 2012-13 Levy as Percent of Total
CFD No. 2, Improvement Area 1	108	\$167,680.90	4.32%
CFD No. 10, Improvement Area C	191	290,821.34	7.48
CFD No. 10, Improvement Area D	142	404,298.80	10.41
CFD No. 10, Improvement Area E	275	473,036.54	12.17
CFD No. 11, Zone 1	276	653,010.48	16.81
CFD No. 11, Zone 2	207	516,291.12	13.29
CFD No. 11, Zone 3	222	549,658.68	14.15
CFD No. 11, Improvement Area A	<u>276</u>	<u>830,771.80</u>	<u>21.38</u>
Total⁽¹⁾	1,697	\$3,885,569.66	100.00%

⁽¹⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 5A
Community Facilities District No. 2, Improvement Area 1
of the Poway Unified School District
Fiscal Year 2012-13 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	Average FY 2012-13 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2012-13 Levy as Percent of Total
1	Developed	< 2,600	\$1,401.41	23	\$32,232.40	19.22%
2	Developed	2,600 - 3,000	1,517.10	38	57,649.96	34.38
3	Developed	> 3,000	1,655.29	<u>47</u>	<u>77,798.54</u>	<u>46.40</u>
Total⁽¹⁾				108	\$167,680.90	100.00%

⁽¹⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 5B
Community Facilities District No. 10, Improvement Area C
of the Poway Unified School District
Fiscal Year 2012-13 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	FY 2012-13 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2012-13 Levy as Percent of Total
Zone 1						
1	Detached/Attached	≤ 1,150	\$1,495.46	28	\$41,872.88	14.40%
2	Detached/Attached	1,151 - 1,400	1,696.50	28	47,502.00	16.33
3	Detached/Attached	> 1,400	1,840.12	28	51,523.36	17.72
Zone 2						
4	Detached/Attached	≤ 1,850	1,191.32	26	30,974.32	10.65
5	Detached/Attached	1,851 - 2,000	1,334.94	25	33,373.50	11.48
6	Detached/Attached	2,001 - 2,250	1,478.54	27	39,920.58	13.73
7	Detached/Attached	> 2,250	1,574.30	29	45,654.70	15.70
Total⁽¹⁾				191	\$290,821.34	100.00%

⁽¹⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 5C
Community Facilities District No. 10, Improvement Area D
of the Poway Unified School District
Fiscal Year 2012-13 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	FY 2012-13 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2012-13 Levy as Percent of Total
1	Detached/Attached	≤ 2,700	\$2,609.96	34	\$88,738.64	21.95%
2	Detached/Attached	2,701 - 3,100	2,843.98	72	204,766.56	50.65
3	Detached/Attached	> 3,100	3,077.60	36	110,793.60	27.40
Total⁽¹⁾				142	\$404,298.80	100.00%

⁽¹⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 5D
Community Facilities District No. 10, Improvement Area E
of the Poway Unified School District
Fiscal Year 2012-13 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	FY 2012-13 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2012-13 Levy as Percent of Total
Zone 1						
1	Detached/Attached	≤ 1,850	\$1,777.14	86	\$152,834.04	32.31%
2	Detached/Attached	> 1,850	2,151.54	37	79,606.98	16.83
Zone 2						
3	Detached/Attached	≤ 1,250	1,121.90	7	7,853.30	1.66
4	Detached/Attached	1,251 - 1,550	1,561.74	97	151,488.78	32.02
5	Detached/Attached	> 1,550	1,692.78	48	81,253.44	17.18
Total⁽¹⁾				275	\$473,036.54	100.00%

⁽¹⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 5E
Community Facilities District No. 11, Zone 1
of the Poway Unified School District
Fiscal Year 2012-13 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	FY 2012-13 Special Tax Rate	Units Levied⁽¹⁾	Special Taxes Levied	FY 2012-13 Levy as Percent of Total
1	Attached/Detached	NA	\$2,365.98	276	\$653,010.48	100.00%
Total⁽¹⁾				276	\$653,010.48	100.00%

⁽¹⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 5F
Community Facilities District No. 11, Zone 2
of the Poway Unified School District
Fiscal Year 2012-13 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	FY 2012-13 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2012-13 Levy as Percent of Total
1	Attached/Detached	NA	\$2,494.16	207	\$516,291.12	100.00%
Total⁽¹⁾				207	\$516,291.12	100.00%

⁽¹⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 5G
Community Facilities District No. 11, Zone 3
of the Poway Unified School District
Fiscal Year 2012-13 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	FY 2012-13 Special Tax Rate	Units Levied⁽¹⁾	Special Taxes Levied	FY 2012-13 Levy as Percent of Total
1	Attached/Detached	NA	\$2,475.94	222	\$549,658.68	100.00%
Total⁽²⁾				222	\$549,658.68	100.00%

⁽¹⁾ Reduced by one (1) unit due to a Prepayment accepted after the Special Taxes were submitted and enrolled by the County.

Approximately 16 additional building permits have been issued since May 1, 2012.

⁽²⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 5H
Community Facilities District No. 11, Improvement Area A
of the Poway Unified School District
Fiscal Year 2012-13 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	FY 2012-13 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2012-13 Levy as Percent of Total
1	Developed	≤ 2,650	\$2,199.28	0	\$0.00	0.00%
2	Developed	2,651 - 3,000	2,432.50	37	\$90,002.50	10.83
3	Developed	3,001 - 3,250	2,556.92	61	155,972.12	18.77
4	Developed	3,251 - 3,500	2,813.46	45	126,605.70	15.24
5	Developed	3,501 - 3,750	3,194.48	42	134,168.16	16.15
6	Developed	3,751 - 4,000	3,396.60	54	183,416.40	22.08
7	Developed	4,001 - 4,250	3,552.10	0	0.00	0.00
8	Developed	4,251 - 4,500	3,707.56	14	51,905.84	6.25
9	Developed	4,501 - 4,750	3,789.16	4	15,156.64	1.82
10	Developed	> 4,750	3,870.76	19	73,544.44	8.85
Total⁽¹⁾				276	\$830,771.80	100.00%

⁽¹⁾ Totals may not sum due to rounding.

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 or Zone. See “BOND OWNERS’ RISKS – The CFD 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 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. Generally, each District levies on Developed Property at the applicable Special Tax under the applicable Rate and Method. In any case where the maximum Special Tax for an Assessor’s Parcel of Developed Property of residential property is greater than the Assigned

Special Tax, the District would not expect delinquencies to be such as to require a levy at the maximum Special Tax. A portion of the Special Tax Requirement is utilized for acquisition and/or construction of School Facilities. In the event a District was to levy Special Taxes on Developed Property at less than the Assigned Annual Special Tax, pursuant to Section 53321 of the Act and a resolution adopted by the District, under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within an Improvement Area or Zone by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. For such purposes, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued. See “BOND OWNERS’ RISKS” herein.

The Special Taxes imposed by each District with respect to each applicable Improvement Area or Zone 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 Bonds to be held as specified in “*Special Tax Fund*” below.

Although the Special Tax, when levied, will constitute a lien on parcels subject to taxation within each Improvement Area or Zone, it does not constitute a personal indebtedness of the owners of property within such Improvement Area or Zone. There is no assurance that the owners of real property in the applicable Improvement Area or Zone 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 or Zone 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 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 CFD Bond Indenture and (except Special Tax Revenues representing prepayments of Special Taxes) from the applicable Special Tax Fund the Fiscal Agent shall transfer the amounts equal to 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 Bonds equals the amount of interest due or becoming due on such Interest Payment Date or to be paid on the applicable CFD 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 Bonds coming payable on such Interest Payment Date.

After making the foregoing transfers, the Fiscal Agent for each Series of CFD Bonds, except CFD No. 2 IA 1 Bonds, CFD No. 11 Zone 2 Refunding Bonds and CFD No. 11 Zone 3 Refunding Bonds, shall transfer to the Trustee the amount, if any, necessary to replenish amounts advanced and transferred from the Authority Surplus Fund to the extent that such advance and transfer was attributable to a deficiency in the amount of debt service received by the Trustee for such Series of CFD Bonds, then the Fiscal Agent for each Series of CFD Bond (including CFD No. 11 Zone 2 Refunding Bonds and CFD No. 11 Zone 3 Refunding Bonds) shall transfer to the Trustee the amount, if any, necessary to restore the Reserve Fund to the Reserve Requirement but only to the extent that any draw on the Reserve Fund was attributable to a deficiency in the amount of debt service received by the Authority on the CFD 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 Trustee the District's proportionate share with respect to the applicable Improvement Area and Zone 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 or the costs of which Administrative Expense have previously been incurred and paid by the District from funds other than the Administrative Expense Fund.

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 Trustee for deposit in the Authority Surplus Fund.

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

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

The initial annual Administrative Expense Requirement for Fiscal Year 2012-13 under each CFD Bond Indenture ranges from \$18,284.92 to \$23,433.19.

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 Bonds until maturity, including mandatory sinking fund redemption but excluding other redemptions of CFD 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 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, 2013, the Fiscal Agent will transfer amounts to pay interest and principal of the applicable CFD 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 Bonds to be redeemed pursuant to the applicable Bond Indenture. Following the

redemption of any CFD 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 Bonds will be used by the Authority to redeem the Bonds. See “THE BONDS – Redemption.”

School Facilities Fund. The Fiscal Agent shall deposit money in the School Facilities Fund established pursuant to the CFD Bond Indentures for the CFD No. 2 IA 1 Bonds and the CFD No. 11 Zone 1 Bonds and, from time to time, disburse moneys to pay school facilities costs. After the final payment or reimbursement of all school facilities costs, as certified by an Authorized Representative to the Fiscal Agent, the Fiscal Agent shall transfer remaining moneys, if any, on deposit in, or subsequently deposited in, the School Facilities Fund to the Special Tax Fund and the Fiscal Agent shall apply the amount so transferred in accordance with the CFD Bond Indenture.

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 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 (\$5,000 or more in the case of CFD No. 11 with respect to Zone 2 or Zone 3) 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 (\$10,000 or more in the case of CFD No. 11 with respect to Zone 2 or Zone 3), 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 or Zone, 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 or Zone. 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 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 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 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 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 or Zone and the Act, each District may adjust the Special Taxes levied on all property within the applicable Improvement Area or Zone in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the applicable Series of CFD 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 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 Bonds will exceed the debt service on the CFD Bonds and such excess is defined as “Residual Special Tax Revenues” and will be transferred to the Authority on September 2 of each year for deposit to the Authority Surplus Fund 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 Trustee in an amount, if any, necessary to restore the Reserve Fund to the Reserve Requirement, to the extent that any draw on the Reserve Fund was attributable to a deficiency in the amount of debt service received by the Authority on the applicable CFD Bonds; (ii) to the Trustee the District’s Proportionate Share of any Excess Authority Rebate Obligation; (iii) to the Trustee for District Administrative Expenses; (iv) to the Trustee for the District’s proportionate share of the Authority Administrative Expenses; and (v) to the Trustee for deposit to the Authority Surplus Fund to be applied as provided in the Authority Indenture. See “THE BONDS – Estimated Debt Service Schedule,” “SOURCES OF PAYMENT FOR THE BONDS – Estimated Schedule of CFD Bonds Debt Service” and “SOURCES OF PAYMENT FOR THE BONDS – Authority Surplus Fund.”

The Special Taxes levied to pay debt service on one series of CFD Bonds are not available to pay debt service on any other series of CFD Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD 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 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 Bonds issue Parity Bonds (as defined in the applicable CFD Bond Indenture). CFD No. 2, CFD No. 10 and CFD No. 11 with respect to Improvement Area A/Zone 1 may issue bonds on a parity with the CFD Bonds for refunding purposes. CFD No. 11 with respect to Zone 2 and Zone 3 may issue bonds on a parity with the CFD Bonds for new money or for refunding purposes. Parity Bonds may be issued 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. 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 Bonds will not be subject to acceleration under the provisions of the CFD Bond Indentures.

Sale of CFD 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 Bonds and the proceeds of the sale of such CFD Bonds shall be disbursed to the Authority or, upon the request of the Authority, deposited in the Revenue Fund or Redemption Account to be applied to the redemption, purchase or defeasance of Bonds, as appropriate. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust – Covenants of the Authority – Sale of CFD Bonds.”

Estimated Schedule of CFD Bonds Debt Service

Table 6 below illustrates that scheduled CFD Bonds debt service provides coverage for the debt service on the Bonds and Table 7 below illustrates the aggregate estimated Net Special Tax Revenues of each Improvement Area and/or zone for the debt service on the CFD Bonds. Tables 8A through 8H below illustrate the estimated coverage of CFD Bonds debt service in relation to estimated Net Special Tax Revenues of each Improvement Area and Zone. Residual Special Tax Revenues (as defined in the

CFD Indentures) for each year will be transferred to the 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 or Zone, the estimated coverage ratio with respect to the CFD Bonds relating to such Improvement Area or Zone will not be achieved, but Residual Special Tax Revenues with respect to the other Improvement Areas or Zones transferred to the Trustee pursuant to the applicable CFD Bond Indenture for deposit in the Authority Surplus Fund will be available to pay principal of and interest on the Bonds and the other amounts as provided for in the Authority Indenture. Tables 8A through 8H assume there are no prepayments of any CFD Bonds or Bonds or delinquencies in the payment of Special Taxes. As set forth below in Tables 8A through 8H, the expected debt service coverage from Developed Property on each series of CFD Bonds will be at least 110% based on (i) debt service on the CFD Bonds and (ii) Net Special Tax Revenues expected to be available in the related Improvement Area or Zone on September 2 of each year. See “THE BONDS – Estimated Debt Service Schedule” and “SOURCES OF PAYMENT FOR THE BONDS – Authority 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.

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Table 6
Poway Unified School District Public Financing Authority
Scheduled Annual Debt Service on CFD Bonds

Year Ending Sept. 15	CFD No. 2 IA 1 Bonds Debt Service	CFD No. 10 IA C Ref. Bonds Debt Service	CFD No. 10 IA D Ref. Bonds Debt Service	CFD No. 10 IA E Ref. Bonds Debt Service	CFD No. 11 Zone 1 Bonds Debt Service
2013	\$131,131.91	\$97,585.94	\$165,687.08	\$189,167.64	\$365,947.65
2014	135,162.50	164,712.50	282,750.00	315,550.00	583,118.76
2015	134,862.50	173,712.50	285,850.00	323,450.00	595,318.76
2016	139,562.50	172,512.50	293,850.00	331,150.00	607,218.76
2017	143,962.50	175,712.50	300,550.00	342,400.00	617,118.76
2018	148,212.50	183,762.50	311,950.00	348,200.00	631,568.76
2019	147,312.50	186,512.50	317,900.00	358,700.00	640,418.76
2020	151,412.50	189,112.50	323,550.00	363,750.00	653,818.76
2021	155,012.50	195,712.50	332,350.00	371,750.00	669,218.76
2022	158,412.50	201,912.50	345,550.00	384,150.00	683,618.76
2023	161,612.50	202,712.50	352,950.00	390,750.00	697,018.76
2024	164,612.50	213,312.50	359,750.00	401,750.00	709,418.76
2025	166,862.50	217,062.50	368,750.00	409,500.00	722,418.76
2026	168,862.50	220,312.50	376,750.00	421,250.00	738,918.76
2027	175,612.50	228,062.50	388,750.00	436,750.00	753,668.76
2028	176,862.50	225,062.50	394,500.00	445,750.00	761,668.76
2029	182,862.50	236,812.50	404,250.00	453,500.00	778,168.76
2030	183,362.50	242,562.50	412,750.00	465,000.00	792,668.76
2031	188,612.50	247,562.50	425,000.00	480,000.00	810,168.76
2032	193,362.50	251,812.50	435,750.00	488,250.00	825,418.76
2033	197,612.50	260,312.50	0.00	0.00	848,418.76
2034	202,456.26	0.00	0.00	0.00	864,750.00
2035	206,887.50	0.00	0.00	0.00	884,225.00
2036	210,906.26	0.00	0.00	0.00	901,637.50
2037	214,512.50	0.00	0.00	0.00	661,987.50
2038	217,500.00	0.00	0.00	0.00	0.00
2039	220,062.50	0.00	0.00	0.00	0.00
2040	227,200.00	0.00	0.00	0.00	0.00
2041	233,700.00	0.00	0.00	0.00	0.00
2042	234,562.50	0.00	0.00	0.00	0.00
Total	\$5,373,069.43	\$4,286,835.94	\$6,879,187.08	\$7,720,767.64	\$17,797,922.85

Table 6
Poway Unified School District Public Financing Authority
Scheduled Annual Debt Service on CFD Bonds
(Continued)

CFD No. 11 Zone 2 Ref. Bonds Debt Service	CFD No. 11 Zone 3 Ref. Bonds Debt Service	CFD No. 11 IA A Refunding Bonds Debt Service	Aggregate CFD Bonds Debt Service	Authority Bonds Net Debt Service	Estimated Debt Service Coverage from CFD Bonds
\$51,695	\$38,419.58	\$348,305.97	\$1,387,940.77	\$1,387,940.77	100.00%
93,200	70,550.00	591,650.00	2,236,693.76	2,236,693.76	100.00
93,100	70,450.00	603,250.00	2,279,993.76	2,279,993.76	100.00
103,000	75,350.00	619,550.00	2,342,193.76	2,342,193.76	100.00
112,550	85,050.00	633,400.00	2,410,743.76	2,410,743.76	100.00
121,800	89,450.00	651,650.00	2,486,593.76	2,486,593.76	100.00
125,750	93,700.00	659,150.00	2,529,443.76	2,529,443.76	100.00
134,550	97,800.00	676,200.00	2,590,193.76	2,590,193.76	100.00
142,550	106,400.00	694,600.00	2,667,593.76	2,667,593.76	100.00
155,150	114,600.00	706,800.00	2,750,193.76	2,750,193.76	100.00
162,150	117,400.00	728,000.00	2,812,593.76	2,812,593.76	100.00
173,750	125,000.00	742,800.00	2,890,393.76	2,890,393.76	100.00
178,750	136,500.00	762,300.00	2,962,143.76	2,962,143.76	100.00
193,250	142,250.00	774,800.00	3,036,393.76	3,036,393.76	100.00
201,750	152,500.00	800,550.00	3,137,643.76	3,137,643.76	100.00
209,500	157,000.00	818,800.00	3,189,143.76	3,189,143.76	100.00
216,500	161,000.00	834,800.00	3,267,893.76	3,267,893.76	100.00
227,750	174,500.00	853,550.00	3,352,143.76	3,352,143.76	100.00
243,000	177,000.00	874,800.00	3,446,143.76	3,446,143.76	100.00
252,000	189,000.00	888,300.00	3,523,893.76	3,523,893.76	100.00
0.00	0.00	899,300.00	2,205,643.76	2,205,643.76	100.00
0.00	0.00	885,062.50	1,952,268.76	1,952,268.76	100.00
0.00	0.00	0.00	1,091,112.50	1,091,112.50	100.00
0.00	0.00	0.00	1,112,543.76	1,112,543.76	100.00
0.00	0.00	0.00	876,500.00	876,500.00	100.00
0.00	0.00	0.00	217,500.00	217,500.00	100.00
0.00	0.00	0.00	220,062.50	220,062.50	100.00
0.00	0.00	0.00	227,200.00	227,200.00	100.00
0.00	0.00	0.00	233,700.00	233,700.00	100.00
0.00	0.00	0.00	234,562.50	234,562.50	100.00
\$3,191,745.00	\$2,373,919.58	\$16,047,618.47	\$63,671,065.99	\$63,671,065.99	100.00%

Table 7
Poway Unified School District Public Financing Authority
Estimated Debt Service Coverage from Net Special Tax Revenues

Year Ending Sept. 15	Net Special Tax Revenues⁽¹⁾	2009 Special Tax Bonds Debt Service⁽²⁾	CFD Bonds Debt Service	Total Debt Service	Surplus Special Taxes	Estimated Debt Service Coverage
2013	\$2,723,555.71	\$420,918.76	\$1,387,940.77	\$1,808,859.53	\$914,696.18	150.57%
2014	3,792,256.18	417,768.76	2,236,693.76	2,654,462.52	1,137,793.66	142.86
2015	3,868,101.31	417,768.76	2,279,993.76	2,697,762.52	1,170,338.79	143.38
2016	3,945,463.33	417,768.76	2,342,193.76	2,759,962.52	1,185,500.81	142.95
2017	4,024,372.60	417,768.76	2,410,743.76	2,828,512.52	1,195,860.08	142.28
2018	4,104,860.05	417,768.76	2,486,593.76	2,904,362.52	1,200,497.53	141.33
2019	4,186,957.25	417,768.76	2,529,443.76	2,947,212.52	1,239,744.73	142.06
2020	4,270,696.40	417,768.76	2,590,193.76	3,007,962.52	1,262,733.88	141.98
2021	4,356,110.33	417,768.76	2,667,593.76	3,085,362.52	1,270,747.81	141.19
2022	4,443,232.53	417,768.76	2,750,193.76	3,167,962.52	1,275,270.01	140.26
2023	4,532,097.18	417,768.76	2,812,593.76	3,230,362.52	1,301,734.66	140.30
2024	4,622,739.13	417,768.76	2,890,393.76	3,308,162.52	1,314,576.61	139.74
2025	4,715,193.91	417,768.76	2,962,143.76	3,379,912.52	1,335,281.39	139.51
2026	4,809,497.79	417,768.76	3,036,393.76	3,454,162.52	1,355,335.27	139.24
2027	4,905,687.74	417,768.76	3,137,643.76	3,555,412.52	1,350,275.22	137.98
2028	5,003,801.50	417,768.76	3,189,143.76	3,606,912.52	1,396,888.98	138.73
2029	5,103,877.53	417,768.76	3,267,893.76	3,685,662.52	1,418,215.01	138.48
2030	5,205,955.08	417,768.76	3,352,143.76	3,769,912.52	1,436,042.56	138.09
2031	5,310,074.18	417,768.76	3,446,143.76	3,863,912.52	1,446,161.66	137.43
2032	5,416,275.67	417,768.76	3,523,893.76	3,941,662.52	1,474,613.15	137.41
2033	4,275,267.87	972,768.76	2,205,643.76	3,178,412.52	1,096,855.35	134.51
2034	3,947,698.95	989,062.52	1,952,268.76	2,941,331.28	1,006,367.67	134.21
2035	2,778,523.85	1,010,631.26	1,091,112.50	2,101,743.76	676,780.09	132.20
2036	2,834,094.33	1,021,687.52	1,112,543.76	2,134,231.28	699,863.05	132.79
2037	2,890,776.22	1,042,625.00	876,500.00	1,919,125.00	971,651.22	150.63
2038	1,915,703.46	1,052,262.50	217,500.00	1,269,762.50	645,940.96	150.87
2039	1,954,017.53	1,040,993.76	220,062.50	1,261,056.26	692,961.27	154.95
2040	252,074.53	0.00	227,200.00	227,200.00	24,874.53	110.95
2041	257,116.02	0.00	233,700.00	233,700.00	23,416.02	110.02
2042	262,258.34	0.00	234,562.50	234,562.50	27,695.84	111.81
Total	\$110,708,336.53	\$15,488,556.52	\$63,671,065.99	\$79,159,622.51	\$31,548,714.02	

(1)Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC.

(2)Debt Service with respect to the CFD No. 11 Zone 2 and CFD No. 11 Zone 3 Special Tax Refunding Bonds maturing on September 15, 2039.

Table 8A
Poway Unified School District Public Financing Authority
Estimated Debt Service Coverage on CFD No. 2 IA 1 Bonds

Year Ending Sept. 15	Net Special Tax Revenues⁽¹⁾	CFD No. 2 IA 1 Bonds Debt Service	Estimated Debt Service Coverage
2013	\$147,680.90	\$131,131.91	112.62%
2014	150,634.52	135,162.50	111.45
2015	153,647.21	134,862.50	113.93
2016	156,720.15	139,562.50	112.29
2017	159,854.56	143,962.50	111.04
2018	163,051.65	148,212.50	110.01
2019	166,312.68	147,312.50	112.90
2020	169,638.93	151,412.50	112.04
2021	173,031.71	155,012.50	111.62
2022	176,492.35	158,412.50	111.41
2023	180,022.19	161,612.50	111.39
2024	183,622.64	164,612.50	111.55
2025	187,295.09	166,862.50	112.25
2026	191,040.99	168,862.50	113.13
2027	194,861.81	175,612.50	110.96
2028	198,759.05	176,862.50	112.38
2029	202,734.23	182,862.50	110.87
2030	206,788.91	183,362.50	112.78
2031	210,924.69	188,612.50	111.83
2032	215,143.19	193,362.50	111.26
2033	219,446.05	197,612.50	111.05
2034	223,834.97	202,456.26	110.56
2035	228,311.67	206,887.50	110.36
2036	232,877.90	210,906.26	110.42
2037	237,535.46	214,512.50	110.73
2038	242,286.17	217,500.00	111.40
2039	247,131.89	220,062.50	112.30
2040	252,074.53	227,200.00	110.95
2041	257,116.02	233,700.00	110.02
2042	262,258.34	234,562.50	111.81
Total	\$5,991,130.45	\$5,373,069.43	

(1) Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC.

Source: Dolinka Group, LLC.

Table 8B
Poway Unified School District Public Financing Authority
Estimated Debt Service Coverage on CFD No. 10 IA C Refunding Bonds

Year Ending Sept. 15	Net Special Tax Revenues⁽¹⁾⁽²⁾	CFD No. 10 IA C Refunding Bonds Debt Service	Estimated Debt Service Coverage
2013	\$193,491.42	\$97,585.94	198.28%
2014	277,987.15	164,712.50	168.77
2015	283,546.89	173,712.50	163.23
2016	289,217.83	172,512.50	167.65
2017	295,002.19	175,712.50	167.89
2018	300,902.23	183,762.50	163.75
2019	306,920.27	186,512.50	164.56
2020	313,058.68	189,112.50	165.54
2021	319,319.85	195,712.50	163.16
2022	325,706.25	201,912.50	161.31
2023	332,220.38	202,712.50	163.89
2024	338,864.78	213,312.50	158.86
2025	345,642.08	217,062.50	159.24
2026	352,554.92	220,312.50	160.02
2027	359,606.02	228,062.50	157.68
2028	366,798.14	225,062.50	162.98
2029	374,134.10	236,812.50	157.99
2030	381,616.78	242,562.50	157.33
2031	389,249.12	247,562.50	157.23
2032	397,034.10	251,812.50	157.67
2033	404,974.78	260,312.50	155.57
Total	\$6,947,847.96	\$4,286,835.94	

(1) Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC.

(2) Reduced by the March 1, 2013 debt service payment of the bonds being refunded.

Source: Dolinka Group, LLC.

Table 8C
Poway Unified School District Public Financing Authority
Estimated Debt Service Coverage on CFD No. 10 IA D Refunding Bonds

Year Ending Sept. 15	Net Special Tax Revenues⁽¹⁾⁽²⁾	CFD No. 10 IA D Refunding Bonds Debt Service	Estimated Debt Service Coverage
2013	\$253,761.38	\$165,687.08	153.16%
2014	393,734.16	282,750.00	139.25
2015	401,608.84	285,850.00	140.50
2016	409,641.02	293,850.00	139.40
2017	417,833.84	300,550.00	139.02
2018	426,190.51	311,950.00	136.62
2019	434,714.32	317,900.00	136.75
2020	443,408.61	323,550.00	137.04
2021	452,276.78	332,350.00	136.08
2022	461,322.32	345,550.00	133.50
2023	470,548.77	352,950.00	133.32
2024	479,959.74	359,750.00	133.41
2025	489,558.94	368,750.00	132.76
2026	499,350.11	376,750.00	132.54
2027	509,337.12	388,750.00	131.02
2028	519,523.86	394,500.00	131.69
2029	529,914.34	404,250.00	131.09
2030	540,512.62	412,750.00	130.95
2031	551,322.88	425,000.00	129.72
2032	562,349.33	435,750.00	129.05
Total	\$9,246,869.49	\$6,879,187.08	

(1) Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC.

(2) Reduced by the March 1, 2013 debt service payment of the bonds being refunded.

Source: Dolinka Group, LLC.

Table 8D
Poway Unified School District Public Financing Authority
Estimated Debt Service Coverage on CFD No. 10 IA E Refunding Bonds

Year Ending Sept. 15	Net Special Tax Revenues⁽¹⁾⁽²⁾	CFD No. 10 IA E Refunding Bonds Debt Service	Estimated Debt Service Coverage
2013	\$300,869.12	\$189,167.64	159.05%
2014	463,846.65	315,550.00	147.00
2015	473,123.59	323,450.00	146.27
2016	482,586.06	331,150.00	145.73
2017	492,237.78	342,400.00	143.76
2018	502,082.53	348,200.00	144.19
2019	512,124.18	358,700.00	142.77
2020	522,366.67	363,750.00	143.61
2021	532,814.00	371,750.00	143.33
2022	543,470.28	384,150.00	141.47
2023	554,339.69	390,750.00	141.87
2024	565,426.48	401,750.00	140.74
2025	576,735.01	409,500.00	140.84
2026	588,269.71	421,250.00	139.65
2027	600,035.11	436,750.00	137.39
2028	612,035.81	445,750.00	137.30
2029	624,276.52	453,500.00	137.66
2030	636,762.05	465,000.00	136.94
2031	649,497.29	480,000.00	135.31
2032	662,487.24	488,250.00	135.69
Total	\$10,895,385.78	\$7,720,767.64	

(1) Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC.

(2) Reduced by the March 1, 2013 debt service payment of the bonds being refunded.

Source: Dolinka Group, LLC.

Table 8E
Poway Unified School District Public Financing Authority
Estimated Debt Service Coverage on CFD No. 11 Zone 1 Bonds

Year Ending Sept. 15	Net Special Tax Revenues⁽¹⁾⁽²⁾	CFD No. 11 Zone 1 Bonds Debt Service	Estimated Debt Service Coverage
2013	\$403,846.66	\$365,947.65	110.36%
2014	642,168.84	583,118.76	110.13
2015	655,012.21	595,318.76	110.03
2016	668,112.46	607,218.76	110.03
2017	681,474.71	617,118.76	110.43
2018	695,104.20	631,568.76	110.06
2019	709,006.28	640,418.76	110.71
2020	723,186.41	653,818.76	110.61
2021	737,650.14	669,218.76	110.23
2022	752,403.14	683,618.76	110.06
2023	767,451.20	697,018.76	110.10
2024	782,800.23	709,418.76	110.34
2025	798,456.23	722,418.76	110.53
2026	814,425.36	738,918.76	110.22
2027	830,713.86	753,668.76	110.22
2028	847,328.14	761,668.76	111.25
2029	864,274.70	778,168.76	111.07
2030	881,560.20	792,668.76	111.21
2031	899,191.40	810,168.76	110.99
2032	917,175.23	825,418.76	111.12
2033	935,518.73	848,418.76	110.27
2034	954,229.11	864,750.00	110.35
2035	973,313.69	884,225.00	110.08
2036	992,779.97	901,637.50	110.11
2037	1,012,635.56	661,987.50	152.97
Total	\$19,939,818.67	\$17,797,922.85	

(1) Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC.

(2) Reduced by the March 1, 2013 debt service payment of the bonds being refunded.

Source: Dolinka Group, LLC.

Table 8F
Poway Unified School District Public Financing Authority
Estimated Debt Service Coverage on CFD No. 11 Zone 2 Refunding Bonds

Year Ending Sept. 15	Net Special Tax Revenues⁽¹⁾⁽²⁾	2009 CFD No. 11 Zone 2 Bonds Debt Service⁽²⁾	CFD No. 11 Zone 2 Ref. Bonds Debt Service	Estimated Debt Service Coverage
2013	\$420,053.47	\$240,778.13	\$51,695.00	143.62%
2014	503,182.29	238,612.50	93,200.00	151.65
2015	513,245.94	238,612.50	93,100.00	154.73
2016	523,510.85	238,612.50	103,000.00	153.25
2017	533,981.07	238,612.50	112,550.00	152.06
2018	544,660.69	238,612.50	121,800.00	151.12
2019	555,553.91	238,612.50	125,750.00	152.47
2020	566,664.98	238,612.50	134,550.00	151.85
2021	577,998.28	238,612.50	142,550.00	151.64
2022	589,558.25	238,612.50	155,150.00	149.72
2023	601,349.41	238,612.50	162,150.00	150.05
2024	613,376.40	238,612.50	173,750.00	148.75
2025	625,643.93	238,612.50	178,750.00	149.90
2026	638,156.81	238,612.50	193,250.00	147.77
2027	650,919.95	238,612.50	201,750.00	147.81
2028	663,938.34	238,612.50	209,500.00	148.16
2029	677,217.11	238,612.50	216,500.00	148.80
2030	690,761.45	238,612.50	227,750.00	148.12
2031	704,576.68	238,612.50	243,000.00	146.30
2032	718,668.22	238,612.50	252,000.00	146.48
2033	733,041.58	553,612.50	0.00	132.41
2034	747,702.41	563,806.26	0.00	132.62
2035	762,656.46	576,243.76	0.00	132.35
2036	777,909.59	580,531.26	0.00	134.00
2037	793,467.78	592,062.50	0.00	134.02
2038	809,337.14	610,050.00	0.00	132.67
2039	825,523.88	598,706.26	0.00	137.88
Total	\$17,362,656.90	\$8,849,428.17	\$3,191,745.00	

(1) Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC.

(2) Debt service with respect to CFD No. 11 Zone 2 2009 Special Tax Bonds maturing on September 15, 2039, which are not being redeemed and which will be on a parity with the CFD No. 11 Zone 2 Refunding Bonds.

(3) Reduced by the March 15, 2013 debt service payment of the bonds being refunded.

Source: Dolinka Group, LLC.

Table 8G
Poway Unified School District Public Financing Authority
Estimated Debt Service Coverage on CFD No. 11 Zone 3 Refunding Bonds

Year Ending Sept. 15	Net Special Tax Revenues⁽¹⁾⁽²⁾	2009 CFD No. 11 Zone 3 Bonds Debt Service⁽²⁾	CFD No. 11 Zone 3 Ref. Bonds Debt Service	Estimated Debt Service Coverage
2013	\$472,171.03	\$180,140.63	\$38,419.58	216.04%
2014	537,217.20	179,156.26	70,550.00	215.14
2015	547,961.54	179,156.26	70,450.00	219.53
2016	558,920.78	179,156.26	75,350.00	219.61
2017	570,099.19	179,156.26	85,050.00	215.78
2018	581,501.17	179,156.26	89,450.00	216.49
2019	593,131.20	179,156.26	93,700.00	217.38
2020	604,993.82	179,156.26	97,800.00	218.44
2021	617,093.70	179,156.26	106,400.00	216.10
2022	629,435.57	179,156.26	114,600.00	214.27
2023	642,024.28	179,156.26	117,400.00	216.49
2024	654,864.77	179,156.26	125,000.00	215.31
2025	667,962.07	179,156.26	136,500.00	211.61
2026	681,321.31	179,156.26	142,250.00	211.98
2027	694,947.73	179,156.26	152,500.00	209.54
2028	708,846.69	179,156.26	157,000.00	210.87
2029	723,023.62	179,156.26	161,000.00	212.56
2030	737,484.09	179,156.26	174,500.00	208.53
2031	752,233.78	179,156.26	177,000.00	211.21
2032	767,278.45	179,156.26	189,000.00	208.41
2033	782,624.02	419,156.26	0.00	186.71
2034	798,276.50	425,256.26	0.00	187.72
2035	814,242.03	434,387.50	0.00	187.45
2036	830,526.87	441,156.26	0.00	188.26
2037	847,137.41	450,562.50	0.00	188.02
2038	864,080.16	442,212.50	0.00	195.40
2039	881,361.76	442,287.50	0.00	199.27
Total	\$18,560,760.74	\$6,639,128.35	\$2,373,919.58	

(1) Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC.

(2) Debt service with respect to CFD No. 11 Zone 3 2009 Special Tax Bonds maturing on September 15, 2039, which are not being redeemed and which will be on a parity with the CFD No. 11 Zone 3 Refunding Bonds.

(3) Reduced by the March 15, 2013 debt service payment of the bonds being refunded.

Source: Dolinka Group, LLC.

Table 8H
Poway Unified School District Public Financing Authority
Estimated Debt Service Coverage on CFD No. 11 Improvement Area A Refunding Bonds

Year Ending Sept. 15	Net Special Tax Revenues⁽¹⁾⁽²⁾	CFD No. 11 IA A Refunding Bonds Debt Service	Estimated Debt Service Coverage
2013	\$531,681.73	\$348,305.97	152.65%
2014	823,485.38	591,650.00	139.18
2015	839,955.09	603,250.00	139.24
2016	856,754.19	619,550.00	138.29
2017	873,889.28	633,400.00	137.97
2018	891,367.06	651,650.00	136.79
2019	909,194.40	659,150.00	137.93
2020	927,378.29	676,200.00	137.15
2021	945,925.86	694,600.00	136.18
2022	964,844.37	706,800.00	136.51
2023	984,141.26	728,000.00	135.18
2024	1,003,824.09	742,800.00	135.14
2025	1,023,900.57	762,300.00	134.32
2026	1,044,378.58	774,800.00	134.79
2027	1,065,266.15	800,550.00	133.07
2028	1,086,571.47	818,800.00	132.70
2029	1,108,302.90	834,800.00	132.76
2030	1,130,468.96	853,550.00	132.44
2031	1,153,078.34	874,800.00	131.81
2032	1,176,139.91	888,300.00	132.40
2033	1,199,662.71	899,300.00	133.40
2034	1,223,655.96	885,062.50	138.26
Total	\$21,763,866.54	\$16,047,618.47	

⁽¹⁾ Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC.

⁽²⁾ Reduced by the March 1, 2013 debt service payment of the bonds being refunded.

Source: Dolinka Group, LLC.

Levy of Special Taxes to Applicable Maximum Rates

The ability of a District to make annual debt service payments on its CFD 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 or Zone. 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 within an Improvement Area or a Zone, in any fiscal year, a District may increase the Special Tax levy with respect to such Improvement Area or Zone up to the maximum rates as permitted in the applicable Rate and Method in the following fiscal years if determined necessary to cure any delinquencies on the applicable CFD 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 or Zone is all categorized as Developed Property. In the event the District was to levy Special Taxes on Developed Property at less than the Assigned Annual Special Tax, pursuant to Section 53321 of the Act and a resolution adopted by the District, under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within an Improvement Area or Zone by more than 10% of such lesser amount. For

such purposes, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued.

Each District is only obligated to pay principal and interest on the CFD Bonds it issues with respect to the applicable Improvement Area or Zone. If Special Taxes with respect to one Improvement Area or Zone are not received in the requisite amount, the Special Tax rate may be escalated only in that Improvement Area or Zone and not in the other Improvement Areas or Zones. Purchasers of the Bonds should not assume that maximum Special Taxes may be levied in all Improvement Areas or Zones 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 or Zone and “BOND OWNERS’ RISKS – The CFD Bonds – *Insufficiency of Special Taxes*.” In each Improvement Area and Zone, 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 or Zone to cure delinquencies with respect to such Improvement Area or Zone is not available to cure delinquencies with respect to the other Improvement Areas or Zones.

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 and/or Zones therein, to authorize the levy of Special Taxes within the boundaries of the applicable Improvement Area or Zone (to pay principal of and interest on the CFD Bonds), to fund some of the facilities directly and to incur bonded indebtedness within the applicable Improvement Area or Zone.

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 or Zone.

Under the Act, when less than twelve registered voters reside within the proposed boundaries of a community facilities district or an improvement area therein, each landowner of lands located within the boundaries of the proposed community facilities district or improvement area, as applicable, 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 for such community facilities district or the improvement area therein.

CFD No. 2 and Improvement Area 1. CFD No. 2 was formed and established by the School District on December 15, 1997. Additional territory was annexed to CFD No. 2 on July 27, 1998. Improvement Area 1 was formed and established on December 14, 2009. Each proceeding was conducted pursuant to the Act, following a public hearing. At a landowner election held on December 15, 1997, the qualified electors of CFD No. 2, by more than a two-thirds vote, authorized CFD No. 2 to incur a bonded indebtedness of CFD No. 2 to finance the acquisition and construction of certain school facilities. The qualified electors of CFD No. 2 authorized bonded indebtedness in the aggregate not-to-exceed principal amount of \$80,000,000 and approved the levy of annual special taxes (the “CFD No. 2 Special Taxes”) pursuant to a Rate and Method of Apportionment of Special Tax.

In 2009, the owners of property within portions of the CFD No. 2 requested the School District to form a separate improvement area (“Improvement Area 1”) within a portion of CFD No. 2 and to authorize the issuance of bonds to finance school facilities in the aggregate principal amount of \$5,000,000, such amount to be payable from special taxes levied pursuant to a separate rate and method of apportionment of special tax with respect to Improvement Area 1 of CFD No. 2. At a landowner election held on December 14, 2009, the qualified electors of Improvement Area 1 of CFD No. 2, by more than a two-thirds vote, authorized CFD No. 2 to incur a bonded indebtedness with respect to Improvement Area 1 of CFD No. 2 to finance the acquisition and construction of the school facilities. See Appendix B.

A portion of the costs of the school facilities will be financed through the levy of an annual Special Tax on Developed Property in Improvement Area 1 of CFD No. 2 as set forth in the “Rate and Method of Apportionment for Improvement Area No. 1 Community Facilities District No. 2 of the Poway

Unified School District” (the “CFD No. 2 IA 1 Rate and Method”). CFD No. 2 uses such Special Taxes levied pursuant to the CFD No. 2 IA 1 Rate and Method and proceeds of the bonds previously issued for the acquisition, construction, rehabilitation and improvement of school facilities. CFD No. 2 previously issued bonds, of which \$10,575,000 of current interest bonds and \$4,861,619.32 of accreted value of capital appreciation bonds were outstanding as of January 1, 2013 (the “CFD No. 2 Bonds”). The CFD No. 2 Bonds are not secured by and payable from the Special Tax levied pursuant to the CFD No. 2 IA 1 Rate and Method to finance the school facilities. The CFD Bonds with respect to Improvement Area 1 of CFD No. 2 will not be secured by or payable from the Special Tax authorized to be levied within CFD No. 2 with respect to the CFD No. 2 Bonds.

CFD No. 10. CFD No. 10 and six (6) Improvement Areas therein designated as Improvement Area A through F inclusive, were formed and designated 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”) and the acquisition or construction of school facilities. The Rate and Method for Improvement Area C was subsequently modified by the approval of the qualified electors at the special election held in Improvement Area C on June 3, 2003. The qualified electors of each Improvement Area authorized bonded indebtedness in the aggregate not-to-exceed amounts as described in “INTRODUCTION – The Districts, the Improvement Areas and the Zones,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE DISTRICTS – Direct and Overlapping Debt.”

CFD No. 11. CFD No. 11, three (3) Improvement Areas and four (4) Zones designated as Improvement Area A through C inclusive and Zones 1 through 4 inclusive, were formed and designated by the School District on January 20, 2004, 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 \$60,000,000, 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. 11 (including each of the Zones). In addition, on January 20, 2004, pursuant to the Act, following a public hearing and landowner elections, the electors of the three Improvement Areas authorized CFD No. 11 to incur bonded indebtedness and approved the levy of a separate special tax within each Improvement Area to finance the acquisition and construction of public improvements to be owned, operated and maintained by the City of San Diego, or to which the City of San Diego may contribute revenue (collectively, the “City Facilities”) and the acquisition or construction of school facilities. The qualified electors of each Improvement Area authorized bonded indebtedness in the aggregate not-to-exceed amounts as described in “INTRODUCTION – The Districts, the Improvement Areas and the Zones,” “THE FINANCING PLAN” and “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE DISTRICTS – Direct and Overlapping Debt.”

Other Indebtedness. Other indebtedness exists with respect to CFD No. 2, CFD No. 10 and CFD No. 11, including, as indicated above, bonds which have been issued by each Community Facilities District.

Location and Description

CFD No. 2 includes several non-contiguous areas of land located in that portion of the School District within the boundaries of the City of San Diego. Improvement Area A of CFD No. 2 is located along Camino el Sur approximately ½ mile north of the 56 (Ted Williams) Freeway in the northern portion of the City of San Diego. CFD No. 2 originally encompassed approximately 1,071 gross acres but owners of approximately 470 gross acres requested creation of CFD No. 10 to finance both school facilities and other public facilities and the approximately 470 gross acres is no longer subject to the CFD No. 2 Special Tax, leaving approximately 601 gross acres (approximately 85 net acres) encompassing approximately 428 residential units. In addition, the owner of an approximately 150-unit apartment complex prepaid its Special Taxes and is no longer subject to the levy of Special Taxes. CFD No. 2 is located in the north part of Torrey Highlands Subarea IV, in the north part of the City of San Diego. 108 single-family homes are subject to the special tax for Improvement Area 1 of CFD No. 2 and such homes are also subject to the CFD No. 2 Special Tax.

Improvement Area 1 of CFD No. 2. Improvement Area 1 of CFD No. 2 includes a contiguous area of land located on the easterly side of Camino Del Sur, approximately ½ mile north of the 56 (Ted Williams) Freeway. Improvement Area 1 of CFD No. 2 encompasses approximately 18.6 net acres encompassing 108 detached homes.

Improvement Areas C, D and E 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. 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 near the interchange of the 56 (Ted Williams) Freeway and Camino Del Sur. Improvement Areas C, D and E of CFD No. 10 encompass approximately 11 net acres developed with 107 single-family detached units and 84 condominium units, 22.6 net acres developed with 142 single-family detached homes, and 17.6 net acres developed with 275 multi-family attached units, respectively. All of the dwelling units have been completed and sold in Improvement Areas C, D and E and are classified as Developed Property, all of which are single-family homes.

CFD No. 11. CFD No. 11 is contiguous and is generally located south of Beeler Canyon Road and east of Pomerado Road in the southernmost portion of the School District and in the northeast part of the City of San Diego. CFD No. 11 is located about four miles east of the I-15 Freeway, easterly of Pomerado Road and approximately one mile south of Scripps Poway Parkway. CFD No. 11, which consist of approximately 2,658 acres, is located approximately 15 miles north of downtown San Diego and approximately 10 miles inland from the Pacific Ocean and the coastal community of La Jolla. StoneBridge Estates is the current name of the entire project which is composed of two sub-project areas known as Montecito and Sycamore Estates. The Montecito sub-project area encompasses approximately 62.4 net acres in Zone 1 / Improvement Area A, and is located east of Pomerado Road, just north of Marine Corps Air Station Miramar, south of the City of Poway and adjacent to and west of the Sycamore Estates sub-project area. The Sycamore Estates sub-project area encompasses approximately 99.9 net acres in Improvement Area B / Zone 2 and approximately 166 net acres in Improvement Area C / Zone 3. The Montecito sub-project area lies within the former General Dynamics Sycamore Canyon property and is bounded by the City of San Diego (Scripps Miramar Ranch North) to the west, the City of Poway to the north, an unincorporated area of the County to the east and northeast, and the Marine Corps Air Station Miramar to the south. CFD No. 11 also includes approximately 248 acres of open space owned by the City of San Diego which is located within Zone 4.

Assessed Value Analysis and Summary Appraisal Report

An appraisal or an assessed value analysis of the taxable properties categorized as Developed Property within the Districts (the “Assessed Value Analysis and Summary Appraisal Report”), was prepared by Stephen G. White, MAI of Fullerton, California (the “Appraiser”), in connection with issuance of the Bonds.

The purpose of the appraisal of Improvement Area 1 of CFD No. 2 and of Zone 2 and Zone 3 of CFD No. 11 was to estimate the separate aggregate market values on a mass appraisal basis of the as is condition of the pertinent parcels within the 11 different tracts or product types of homes within Improvement Area 1 of CFD No. 2 and of Zone 2 and Zone 3 of CFD No. 11. The as is condition market value reflects the status of completed-sold homes (509 homes), completed-unsold homes (11 homes, of which 7 are models), homes under construction (14 homes) and vacant lots (3 lots) for which building permits had been issued as of May 1, 2012 but construction was not yet underway. The Assessed Value Analysis and Summary Appraisal Report is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of October 1, 2012, the Appraiser estimated that the aggregate market value of the completed-sold homes, completed-unsold homes, homes under construction and vacant lots for which building permits have been issued within Improvement Area 1 of CFD No. 2 and within Zone 2 and Zone 3 of CFD No. 11 was \$487,830,000. (The appraisal of homes in Improvement Area 1 of CFD No. 2 and within Zone 2 and Zone 3 of CFD No. 11 excludes approximately 5 completed sold homes for which the Special Taxes have been prepaid and excludes 117 vacant lots for which building permits have not been issued.)

The purpose of the assessed value analysis of the homes within Improvement Area C, Improvement Area D and Improvement Area E of CFD No. 10 and of Improvement Area A/Zone 1 of CFD No. 11 was to consider the total and the average assessed values, which are as of January 1, 2012, for the pertinent parcels located in 8 different tracts or product types of homes. In addition, the range and average of the percentage variance from sale prices to assessed value is calculated for homes in Improvement Area C, Improvement Area D and Improvement Area E of CFD No. 10 and of Improvement Area A and Zone 1 of CFD No. 11 where a closed sale has occurred since January 1, 2012, or pending sales existed as of the October 1, 2012, date of value. It is noted that the percentage variance is calculated by sale price minus assessed value, divided by assessed value, and the average percent variance is a weighted average. The total of the assessed values for Improvement Area C, Improvement Area D and Improvement Area E of CFD No. 10 and of Improvement Area A/ Zone 1 of CFD No. 11 is \$456,574,421. (The assessed value analysis of the homes in Improvement Area C, Improvement Area D and Improvement Area E of CFD No. 10 and of Improvement Area A/Zone 1 of CFD No. 11 excludes one home for which the Special Taxes have been prepaid.)

The combined total of the analyses of each of the Improvement Areas and Zones aggregates \$944,404,421. See “THE DISTRICTS – Estimated Property Values and Estimated Value-to-Lien Ratios,” “THE DISTRICTS – Direct and Overlapping Debt” and “BOND OWNERS’ RISKS – The CFD Bonds – *Value-to-Lien Ratios*” herein and APPENDIX C – “ASSESSED VALUE ANALYSIS AND SUMMARY APPRAISAL REPORT” appended hereto for further information on the Assessed Value Analysis and Summary Appraisal Report and for limiting conditions relating to the Assessed Value Analysis and Summary Appraisal Report.

Appraisal Analysis. Subject to the assumptions and limiting conditions, the following sets forth the conclusions of market value in the Appraisal for CFD No. 2, Improvement Area 1, CFD No. 11 Zone 2 and CFD No. 11, Zone 3. All homes in CFD No. 2, Improvement Area 1, CFD No. 11 Zone 2 and CFD No. 11, Zone 3 are detached homes.

Table 9A
Poway Unified School District Public Financing Authority
Assessed Value Analysis and Summary Appraisal Report -
Appraisal Analysis

CFD Improvement Area/Zone	Tract	Ownership	No. of Lots	Market Value ⁽¹⁾
CFD No. 2, Improvement Area 1	Terramar	Individual Owners	107	\$79,180,000
		Builder Ownership	<u>1</u>	<u>740,000</u>
		Subtotal	108	\$79,920,000
CFD No. 11, Zone 2	The Warmington Collection	Individual Owners	36	\$35,280,000
	Calabria	Individual Owners	22	\$20,240,000
	Serenity	Individual Owners	65	\$59,150,000
		Builder Ownership	<u>2</u>	<u>1,710,000</u>
		Subtotal	67	\$60,860,000
	Sanctuary	Individual Owners	<u>82</u>	<u>\$86,100,000</u>
		Subtotal CFD No. 11, Zone 2	207	\$202,480,000
CFD No. 11, Zone 3	Montoro	Individual Owners	26	\$22,100,000
		Builder Ownership	<u>2</u>	<u>1,700,000</u>
		Subtotal	28	\$23,800,000
	Tiburon	Individual Owners	53	\$53,010,000
	Viscaya	Individual Owners	47	\$39,950,000
	Scripps Preserve	Individual Owners	60	\$61,200,000
	Toll Brothers at StoneBridge	Individual Owners	11	\$11,550,000
		Builder Ownership	<u>12</u>	<u>8,820,000</u>
		Subtotal	23	\$20,370,000
		Builder Ownership	<u>11</u>	<u>\$7,100,000</u>
		Subtotal CFD No. 11, Zone 3	222	\$205,430,000
	TOTALS	537	\$487,830,000	

⁽³⁾The market values are based on the Assessed Value Analysis and Summary Appraisal Report. See “APPENDIX C – Assessed Value Analysis and Summary Appraisal Report.”

Assessed Value Analysis. The data for the assessed value analysis is summarized in the following table by separate tract within the different Improvement Areas for CFD No. 10 and Improvement Area A/Zone 1 (overlapping) for CFD No. 11. Except as indicated for homes in Improvement Area C and Improvement Area E of CFD No. 10, homes in Improvement Areas C and D of CFD No. 10 and in Improvement Area A/Zone 1 of CFD No. 11 are detached homes.

Table 9B
Poway Unified School District Public Financing Authority
Assessed Value Analysis and Summary Appraisal Report -
Assessed Value Analysis

CFD Improvement Area/Zone/Tract	Total Assessed Value ⁽¹⁾	No. of Homes	Avg. A.V. ⁽²⁾	No. Sales	Range % Var. Sale Price/A.V. ⁽²⁾	Avg. % Var. Sale Price/A.V. ⁽²⁾
CFD No. 10, Improvement Area C						
San Lorenza	\$50,952,248	107	\$476,189	6	-2.1% to +31.8%	+10.2%
Monaco - Attached	<u>25,263,126</u>	<u>84</u>	<u>300,752</u>	<u>9</u>	<u>-17.5% to +5.9%</u>	<u>-2.0%</u>
Subtotal	\$76,215,374	191	\$399,033	15	-17.5% to +31.8%	+2.9%
CFD No. 10, Improvement Area D						
Avalon Point	\$89,914,457	142	\$633,200	5	-18.7% to +5.6%	-1.8%
CFD No. 10, Improvement Area E						
Cortina – Attached	\$45,681,258	152	\$300,535	9	-6.1% to +28.0%	+8.4%
Bellarado - Attached	<u>48,832,895</u>	<u>123</u>	<u>397,015</u>	<u>6</u>	<u>-13.3% to +0.9%</u>	<u>-3.9%</u>
Subtotal	\$94,514,153	275	\$343,688	15	-13.3% to +28.0%	+3.5%
CFD No. 11, Improvement Area A/Zone 1						
Mill Creek	\$68,322,710	108	\$632,618	6	-3.8% to +14.5%	+4.1%
Astoria	84,671,366	121	699,763	8	-19.1% to +6.7%	-0.3%
Calabria/Serenity	<u>42,936,361</u>	<u>47</u>	<u>913,540</u>	<u>3</u>	<u>-5.3% to +8.3%</u>	<u>+1.0%</u>
Subtotal	\$195,930,437	276	\$709,893	17	-19.1% to +14.5%	+1.5%
Total	\$456,574,421	884	\$516,487	52	-19.1% to +31.8%	+2.2%

⁽¹⁾ The assessed values are based on the County Assessor's roll dated January 1, 2012.

⁽²⁾ See "APPENDIX C – Assessed Value Analysis and Summary Appraisal Report."

The aggregate assessed and market value of \$944,404,421 for the 1,404 completed homes, 14 homes under construction and 3 lots for which building permits have been issued valued in the Assessed Value Analysis and Summary Appraisal Report results in an estimated aggregate value-to-lien ratio of 12.02 to 1 with respect to the Improvement Areas and Zones, calculated with respect to all direct and overlapping tax and assessment bonds as presented in Tables 10A, 10B and 11A through 11H in the section entitled "– Estimated Property Values and Estimated Value-to-Lien Ratios" below as of the estimated date of issuance of the Bonds. The value-to-lien ratio of individual parcels will differ from the foregoing aggregate values. The foregoing value-to-lien estimate excludes the value of the Undeveloped Property in CFD No. 11, Zone 3. Based on estimated debt service on the Bonds and the number of building permits issued as of January 1, 2012, the Districts did not levy a Special Tax in Fiscal Year 2012-13 on Undeveloped Property. Additional debt may be issued in the future by the Districts and such issuance will affect the lien of the Districts.

The Authority and the Underwriter make no representation as to the accuracy or completeness of the Assessed Value Analysis and Summary Appraisal Report. See Appendix C hereto for more information relating to the Assessed Value Analysis and Summary Appraisal Report.

Estimated Property Values and Estimated Value-to-Lien Ratios

Because the Assessed Value Analysis and Summary Appraisal Report data is not available on a lot by lot basis, Tables 10A, 10B and 11A through 11H below set forth Value-to-Lien category ranges for the parcels subject to the levy of Special Taxes in Fiscal Year 2012-13 utilizing the respective assessed values as of January 1, 2012, which values include all of the completed homes reviewed in the Assessed Value Analysis and Summary Appraisal Report, plus the assessed value for the homes under construction and for the lots for which building permits had been issued as of May 1, 2012.

The Fiscal Year 2012-13 assessed values of the property within each Improvement Area and Zone (excluding Exempt Property (as defined in the applicable Rate and Method) and parcels for which Special Taxes have been prepaid) are set forth below. The assessed values, direct and overlapping debt and total tax burden on individual parcels vary between each Improvement Area and Zone and also vary among parcels within each Improvement Area and Zone. 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 of the applicable Improvement Area or Zone. The table below sets forth the estimated appraised values or assessed property values, as applicable, and the estimated direct and overlapping land secured debt and estimated value-to-lien ratio for each Improvement Area and Zone as a whole. All information in this section is based on the direct and overlapping debt report prepared in October 2012, as set forth in the tables below in the Section captioned "Direct and Overlapping Debt."

Table 10A
Poway Unified School District Public Financing Authority
Estimated Average Assessed/Appraised Value-to-Lien of Parcels
Subject to Special Tax

CFD No.	Number of Parcels	FY 2012-13 Special Taxes⁽¹⁾	Total Estimated Assessed/Appraised Value⁽²⁾	CFD Bonds⁽³⁾	Additional Land Secured Debt⁽⁴⁾	Total Lien	Combined Value-to- Lien⁽⁵⁾
CFD No. 2, Improvement Area 1	108	\$167,680.90	\$79,920,000.00	\$2,830,000.00	\$2,696,835.85	\$5,526,835.85	14.46:1
CFD No. 10, Improvement Area C	191	290,821.34	76,215,374.00	2,625,000.00	4,756,018.21	7,381,018.21	10.33:1
CFD No. 10, Improvement Area D	142	404,298.80	89,914,457.00	4,275,000.00	4,787,093.19	9,062,093.19	9.92:1
CFD No. 10, Improvement Area E	275	473,036.54	94,514,153.00	4,800,000.00	5,156,939.96	9,956,939.96	9.49:1
CFD No. 11, Zone 1 & Imp. Area A	276	1,483,782.28	195,930,437.00	19,995,000.00	0.00	19,995,000.00	9.80:1
CFD No. 11, Zone 2	207	516,291.12	202,480,000.00	1,870,000.00	11,608,348.32	13,478,348.32	15.02:1
CFD No. 11, Zone 3	222	549,658.68	205,430,000.00	1,390,000.00	11,748,318.54	13,138,318.54	15.64:1
Total⁽⁶⁾	1,421	\$3,885,569.66	\$944,404,421.00	\$37,785,000.00	\$40,753,554.06	\$78,538,554.06	12.02:1

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of May 1, 2012, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

⁽²⁾ Source: Assessed Value Analysis and Summary Appraisal Report dated October 1, 2012.

⁽³⁾ Source: The Underwriter's January 24, 2013 final pricing analysis.

⁽⁴⁾ Source: Detailed Direct and Overlapping Debt Report provided by National Tax Data, Inc.; community facilities debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 Special Tax levy and other debt has been allocated based on the Fiscal Year 2012-13 tax roll allocations and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

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

⁽⁶⁾ Total may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 10B
Poway Unified School District Public Financing Authority
Estimated Average Combined Assessed/Appraised Value and Value-to-Lien Ratio

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Assessed/Appraised Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2012-13 Special Tax	Percentage Share of Special Tax
15:1 and above	362	\$21,482,952.13	\$342,066,281.00	15.92:1	\$840,506.34	21.63%
10:1 to 15:1	516	28,729,237.44	347,969,776.00	12.11:1	1,421,439.34	36.58
7:1 to 10:1	507	26,967,091.64	245,473,584.00	9.10:1	1,563,232.90	40.23
5:1 to 7:1	35	1,357,539.33	8,786,479.00	6.47:1	58,698.30	1.51
3:1 to 5:1	0	0.00	0.00	0.00:1	0.00	0.00
3.1 and below	<u>1</u>	<u>36,733.51</u>	<u>108,301.00</u>	<u>2.95:1</u>	<u>1,692.78</u>	<u>0.04</u>
Total ⁽⁴⁾	1,421	\$78,573,554.06	\$944,404,421.00	12.02:1	\$3,885,569.66	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of May 1, 2012, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Affordable Units, 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 Bonds. Community facilities debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 Special Tax levy and other debt has been allocated based on the Fiscal Year 2012-13 tax roll allocations and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

⁽³⁾ Source: Assessed Value Analysis and Summary Appraisal Report dated October 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

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

Table 11A
CFD No. 2 Improvement Area 1
Combined Appraised Value and Value-to-Lien Ratio

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Appraised Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2012-13 Special Tax	Percentage Share of Special Tax
15:1 and above	27	\$1,315,492.86	\$19,980,000.00	15.91:1	\$39,133.44	22.74%
10:1 to 15:1	81	4,211,342.98	59,940,000.00	14.23:1	129,547.46	77.26
7:1 to 10:1	0	0.00	0.00	0.00:1	0.00	0.00
5:1 to 7:1	0	0.00	0.00	0.00:1	0.00	0.00
3:1 to 5:1	0	0.00	0.00	0.00:1	0.00	0.00
3.1 and below	<u>0</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00:1</u>	<u>0.00</u>	<u>0.00</u>
Total ⁽⁴⁾	108	\$5,526,835.85	\$79,920,000.00	14.46:1	\$167,680.90	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of May 1, 2012, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Affordable Units, 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 CFD Bonds with respect to CFD No. 2 Improvement Area 1. Community facilities debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 Special Tax levy and other debt has been allocated based on the Fiscal Year 2012-13 tax roll allocations and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

⁽³⁾ Source: Assessed Value Analysis and Summary Appraisal Report dated October 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 11B
CFD No. 10 Improvement Area C
Combined Assessed Value and Value-to-Lien Ratio

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Assessed Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2012-13 Special Tax	Percentage Share of Special Tax
15:1 and above	1	\$30,449.97	\$471,492.00	15.48:1	\$1,840.12	0.63%
10:1 to 15:1	108	3,809,970.51	42,772,489.00	11.23:1	160,054.54	55.04
7:1 to 10:1	88	3,492,804.71	32,700,269.00	9.36:1	127,352.38	43.79
5:1 to 7:1	1	47,793.01	271,124.00	5.67:1	1,574.30	0.54
3:1 to 5:1	0	0.00	0.00	0.00:1	0.00	0.00
3.1 and below	<u>0</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00:1</u>	<u>0.00</u>	<u>0.00</u>
Total ⁽⁴⁾	191	\$7,381,018.21	\$76,215,374.00	10.33:1	\$290,821.34	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of May 1, 2012, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Affordable Units, 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 CFD Bonds with respect to CFD No. 10 Improvement Area C. Community facilities debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 Special Tax levy and other debt has been allocated based on the Fiscal Year 2012-13 tax roll allocations and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

⁽³⁾ Source: Assessed Value Analysis and Summary Appraisal Report dated October 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 11C
CFD No. 10 Improvement Area D
Combined Assessed Value and Value-to-Lien Ratio

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Assessed Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2012-13 Special Tax	Percentage Share of Special Tax
15:1 and above	0	\$0.00	\$0.00	0.00:1	\$0.00	0.00%
10:1 to 15:1	68	4,361,040.37	48,281,102.00	11.07:1	195,721.64	48.41
7:1 to 10:1	73	4,637,397.83	41,216,000.00	8.89:1	205,733.18	50.89
5:1 to 7:1	1	63,654.98	417,355.00	6.56:1	2,843.98	0.70
3:1 to 5:1	0	0.00	0.00	0.00:1	0.00	0.00
3.1 and below	<u>0</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00:1</u>	<u>0.00</u>	<u>0.00</u>
Total ⁽⁴⁾	142	\$9,062,093.19	\$89,914,457.00	9.92:1	\$404,298.80	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of May 1, 2012, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation. Community facilities debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 Special Tax levy and other debt has been allocated based on the Fiscal Year 2012-13 tax roll allocations and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

⁽²⁾ See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens include the CFD Bonds with respect to CFD No. 10 Improvement Area D.

⁽³⁾ Source: Assessed Value Analysis and Summary Appraisal Report dated October 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 11D
CFD No. 10 Improvement Area E
Combined Assessed Value and Value-to-Lien Ratio

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Assessed Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2012-13 Special Tax	Percentage Share of Special Tax
15:1 and above	0	\$0.00	\$0.00	0.00:1	\$0.00	0.00%
10:1 to 15:1	99	3,702,374.91	42,066,987.00	11.36:1	182,101.86	38.50
7:1 to 10:1	156	5,562,335.94	47,989,865.00	8.63:1	259,568.84	54.87
5:1 to 7:1	19	656,354.45	4,349,000.00	6.63:1	29,673.06	6.27
3:1 to 5:1	1	35,874.66	108,301.00	3.02:1	1,692.78	0.36
3.1 and below	0	0.00	0.00	0.00:1	0.00	0.00
Total ⁽⁴⁾	275	\$9,956,939.96	\$94,514,153.00	9.49:1	\$473,036.54	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of May 1, 2012, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Affordable Units, 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 CFD Bonds with respect to CFD No. 10 Improvement Area E. Community facilities debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 Special Tax levy and other debt has been allocated based on the Fiscal Year 2012-13 tax roll allocations and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

⁽³⁾ Source: Assessed Value Analysis and Summary Appraisal Report dated October 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 11E
CFD No. 11 Zone 1
Combined Assessed Value and Value-to-Lien Ratio

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Assessed Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2012-13 Special Tax	Percentage Share of Special Tax
15:1 and above	1	\$82,479.75	\$1,309,789.00	15.88:1	\$2,365.98	0.36%
10:1 to 15:1	72	5,480,884.89	61,254,263.00	11.18:1	170,350.56	26.09
7:1 to 10:1	203	14,431,635.36	133,366,385.00	9.24:1	480,293.94	73.55
5:1 to 7:1	0	0.00	0.00	0.00:1	0.00	0.00
3:1 to 5:1	0	0.00	0.00	0.00:1	0.00	0.00
3.1 and below	0	0.00	0.00	0.00:1	0.00	0.00
Total ⁽⁴⁾	276	\$19,995,000.00	\$195,930,437.00	9.80:1	\$653,010.48	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of May 1, 2012, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Affordable Units, 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 CFD Bonds with respect to CFD No. 11 Zone 1 and Improvement Area A. Community facilities debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 Special Tax levy and other debt has been allocated based on the Fiscal Year 2012-13 tax roll allocations and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

⁽³⁾ Source: Assessed Value Analysis and Summary Appraisal Report dated October 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 11F
CFD No. 11 Zone 2
Combined Appraised Value and Value-to-Lien Ratio

Value-to-Lien Category	Number of Parcels ⁽¹⁾	Combined Overlapping Liens ⁽²⁾	Appraised Value ⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2012-13 Special Tax	Percentage Share of Special Tax
15:1 and above	140	\$9,052,701.00	\$140,795,000.00	15.55:1	\$349,182.40	67.63%
10:1 to 15:1	67	4,425,647.31	61,685,000.00	13.94:1	167,108.72	32.37
7:1 to 10:1	0	0.00	0.000	0.00:1	0.00	0.00
5:1 to 7:1	0	0.00	0.00	0.00:1	0.00	0.00
3:1 to 5:1	0	0.00	0.00	0.00:1	0.00	0.00
3.1 and below	<u>0</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00:1</u>	<u>0.00</u>	<u>0.00</u>
Total ⁽⁴⁾	207	\$13,478,348.32	\$202,480,000.00	15.02:1	\$516,291.12	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of May 1, 2012, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Affordable Units, 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 CFD Bonds with respect to CFD No. 11 Zone 2. Community facilities debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 Special Tax levy and other debt has been allocated based on the Fiscal Year 2012-13 tax roll allocations and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

⁽³⁾ Source: Assessed Value Analysis and Summary Appraisal Report dated October 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 11G
CFD No. 11 Zone 3
Combined Appraised Value and Value-to-Lien Ratio

Value-to-Lien Category	Number of Parcels ⁽¹⁾	Combined Overlapping Liens ⁽²⁾	Appraised Value ⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2012-13 Special Tax	Percentage Share of Special Tax
15:1 and above	176	\$10,366,192.63	\$171,010,000.00	16.50:1	\$435,765.44	79.28%
10:1 to 15:1	41	2,460,907.96	32,150,000.00	13.06:1	101,513.54	18.47
7:1 to 10:1	2	128,381.49	1,220,000.00	9.50:1	4,951.88	0.90
5:1 to 7:1	3	182,836.47	1,050,000.00	5.74:1	7,427.82	1.35
3:1 to 5:1	0	0.00	0.00	0.00:1	0.00	0.00
3.1 and below	<u>0</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00:1</u>	<u>0.00</u>	<u>0.00</u>
Total ⁽⁴⁾	222	\$13,138,318.54	\$205,430,000.00	15.64:1	\$549,658.68	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of May 1, 2012, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Affordable Units, 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 CFD Bonds with respect to CFD No. 11 Zone 3. Community facilities debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 Special Tax levy and other debt has been allocated based on the Fiscal Year 2012-13 tax roll allocations and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

⁽³⁾ Source: Assessed Value Analysis and Summary Appraisal Report dated October 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 11H
CFD No. 11 Improvement Area A
Combined Assessed Value and Value-to-Lien Ratio

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Assessed Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2012-13 Special Tax	Percentage Share of Special Tax
15:1 and above	1	\$82,479.75	\$1,309,789.00	15.88:1	\$3,870.76	0.47%
10:1 to 15:1	72	5,480,884.89	62,254,263.00	11.18:1	239,437.24	28.82
7:1 to 10:1	203	14,431,635.36	133,366,385.00	9.24:1	587,463.80	70.71
5:1 to 7:1	0	0.00	0.00	0.00:1	0.00	0.00
3:1 to 5:1	0	0.00	0.00	0.00:1	0.00	0.00
3.1 and below	0	0.00	0.00	0.00:1	0.00	0.00
Total ⁽⁴⁾	276	\$19,995,000.00	\$195,930,437.00	9.80:1	\$830,771.80	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of May 1, 2012, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Affordable Units, 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 CFD Bonds with respect to CFD No. 11 Improvement Area A and Zone 1. Community facilities debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 Special Tax levy and other debt has been allocated based on the Fiscal Year 2012-13 tax roll allocations and includes land secured bond indebtedness, except for the outstanding CFD improvement area debt being refunded.

⁽³⁾ Source: Assessed Value Analysis and Summary Appraisal Report dated October 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Direct and Overlapping Debt

Tables 12A through 12G below set forth the existing authorized indebtedness payable from taxes and assessments that may be levied within each Improvement Area and Zone prepared by National Tax Data, Inc. in October 2012 (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 or Zone 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 of San Diego 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 and Zones 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 of San Diego or other public agencies at any time.

Property in each Improvement Area and Zone 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 and Zones varies. The tables below indicate average tax rates for Fiscal Year 2012-13 of 1.47% with respect to CFD No. 11, Zone 2 to 1.84% with respect to CFD No. 10, Improvement Area No. C. 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 or Zone 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 or Zones 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 12A below includes the assessed value of all parcels within CFD No. 2 Improvement Area 1.

Table 12A
Community Facilities District No. 2, Improvement Area 1
Detailed Direct and Overlapping Debt

I. Assessed Value						
2012-13 Secured Roll Assessed Value						\$73,957,648
II. Secured Property Taxes						
Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	961,824	\$3,649,804,544.99	0.02014%	108	\$735,054.48
Voter Approved Debt	VOTER	961,631	\$329,159,699.43	0.00495%	108	\$16,280.48
City of San Diego Torrey Highlands Maintenance District	LMD	1,884	\$172,890.12	2.28131%	108	\$3,944.16
County of San Diego Vector Control, Zone A	VECTOR	532,622	\$1,495,639.80	0.02166%	108	\$324.00
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,844.58	0.01203%	108	\$632.88
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,321	\$4,368,410.30	0.02843%	108	\$1,242.00
Poway Unified School District CFD No. 2	CFD	565	\$1,339,993.04	22.15270%	108	\$296,844.64
Poway Unified School District CFD No. 2, Impv Area 1	CFD	115	\$167,680.90	100.00000%	108	\$167,680.90
San Diego County Water Authority Standby Charge	STANDBY	363,349	\$3,828,267.62	0.02821%	108	\$1,080.00
2012-13 TOTAL PROPERTY TAX LIABILITY						\$1,223,083.54
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-13 ASSESSED VALUATION						1.65%
III. Land Secured Bond Indebtedness						
Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 2	CFD	\$14,233,847	\$12,173,847	22.15270%	108	\$2,696,836
Poway Unified School District CFD No. 2, Impv Area 1	CFD	\$0	\$0	100.00000%	108	\$0
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$2,696,836
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$2,696,836
IV. General Obligation Bond Indebtedness						
Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$196,545,000	0.00353%	108	\$6,931
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$318,573,901	0.08428%	108	\$268,479
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$275,410
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$275,410
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$2,972,245.45
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT						24.88:1

⁽¹⁾ Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

Source: National Tax Data, Inc.

The overlapping debt report in Table 12B below includes the assessed value of all parcels within CFD No. 10 Improvement Area C.

Table 12B
Community Facilities District No. 10, Improvement Area C
Detailed Direct and Overlapping Debt

I. Assessed Value

2012-13 Secured Roll Assessed Value \$76,215,374

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	961,824	\$3,649,804,544.99	0.02065%	191	\$753,753.74
Voter Approved Debt	VOTER	961,631	\$329,159,699.43	0.00507%	191	\$16,693.72
City of San Diego Torrey Highlands Maintenance District	LMD	1,884	\$172,890.12	5.37159%	191	\$9,286.94
County of San Diego Vector Control, Zone A	VECTOR	532,622	\$1,495,639.80	0.03831%	191	\$573.00
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,844.58	0.01847%	191	\$971.42
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,321	\$4,368,410.30	0.05028%	191	\$2,196.50
Poway Unified School District CFD No. 10	CFD	1,288	\$2,591,927.84	12.66380%	191	\$328,236.66
Poway Unified School District CFD No. 10, Impv Area C	CFD	218	\$290,821.34	100.00000%	191	\$290,821.34
San Diego County Water Authority Standby Charge	STANDBY	363,349	\$3,828,267.62	0.04989%	191	\$1,910.00

2012-13 TOTAL PROPERTY TAX LIABILITY **\$1,404,443.32**

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-13 ASSESSED VALUATION **1.84%**

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 10	CFD	\$38,230,000	\$37,556,000	12.66380%	191	\$4,756,017
Poway Unified School District CFD No. 10, Impv Area C	CFD	\$3,000,000	\$2,845,000	100.00000%	191	\$2,845,000
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$7,601,017
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$7,601,017

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$196,545,000	0.00363%	191	\$7,142
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$318,573,901	0.08685%	191	\$276,675
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$283,817
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$283,817
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$7,884,833.88
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT						9.67:1

(1) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

Source: National Tax Data, Inc.

The overlapping debt report in Table 12C below includes the assessed value of all parcels within CFD No. 10 Improvement Area D. The difference in assessed value of \$92,075,149 from the previous CFD No. 10 Improvement Area D tables with an assessed value of \$89,914,457 includes \$323,266 in assessed value for one (1) affordable housing parcel and one open space parcel that are not subject to the CFD No. 10 Improvement Area D Annual Special Tax.

Table 12C
Community Facilities District No. 10, Improvement Area D
Detailed Direct and Overlapping Debt

I. Assessed Value

2012-13 Secured Roll Assessed Value **\$ 92,075,149**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	961,824	\$3,649,804,544.99	0.02449%	144	\$893,697.23
Voter Approved Debt	VOTER	961,631	\$329,159,699.43	0.00601%	144	\$19,793.87
City of San Diego Torrey Highlands Maintenance District	LMD	1,884	\$172,890.12	5.19081%	143	\$8,974.40
County of San Diego Vector Control, Zone A	VECTOR	532,622	\$1,495,639.80	0.02868%	143	\$429.00
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,844.58	0.01678%	143	\$882.52
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,321	\$4,368,410.30	0.03800%	143	\$1,659.92
Poway Unified School District CFD No. 10	CFD	1,288	\$2,591,927.84	12.74655%	142	\$330,381.30
Poway Unified School District CFD No. 10, Impv Area D	CFD	218	\$290,821.34	100.00000%	142	\$404,298.80
San Diego County Water Authority Standby Charge	STANDBY	363,349	\$3,828,267.62	0.04036%	144	\$1,545.20

2012-13 TOTAL PROPERTY TAX LIABILITY **\$1,661,662.24**

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-13 ASSESSED VALUATION **1.80%**

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 10	CFD	\$38,230,000	\$37,556,000	12.74655%	142	\$4,787,094
Poway Unified School District CFD No. 10, Impv Area D	CFD	\$5,125,000	\$4,810,000	100.00000%	142	\$4,810,000
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$9,597,094
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$9,597,094

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$196,545,000	0.00439%	144	\$8,628
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$318,573,901	0.10492%	144	\$334,249
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$342,877
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$342,877
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$9,939,971.42
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT						9.26:1

⁽¹⁾ Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

The overlapping debt report in Table 12D below includes the assessed value of all parcels within CFD No. 10 Improvement Area E. The difference in assessed value of \$139,381,367 from the previous CFD No. 10 Improvement Area E tables of \$94,514,153 includes \$9,527,214 in assessed value for Affordable Units and \$35,340,000 in assessed value for three (3) commercial parcels that are not subject to the CFD No. 10 Improvement Area E Annual Special Tax.

Table 12D
Community Facilities District No. 10, Improvement Area E
Detailed Direct and Overlapping Debt

I. Assessed Value

2012-13 Secured Roll Assessed Value **\$139,381,367**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	961,824	\$3,649,804,544.99	0.03558%	280	\$1,298,545.99
Voter Approved Debt	VOTER	961,631	\$329,159,699.43	0.00874%	280	\$28,760.19
City of San Diego Torrey Highlands Maintenance District	LMD	1,884	\$172,890.12	13.40475%	280	\$23,175.48
County of San Diego Vector Control, Zone A	VECTOR	532,622	\$1,495,639.80	0.05616%	280	\$840.00
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,844.58	0.02584%	280	\$1,358.94
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,321	\$4,368,410.30	0.07554%	280	\$3,300.00
Poway Unified School District CFD No. 10	CFD	1,288	\$2,591,927.84	13.93048%	276	\$361,067.96
Poway Unified School District CFD No. 10, Impv Area E	CFD	218	\$473,036.54	100.00000%	275	\$473,036.54
San Diego County Water Authority Standby Charge	STANDBY	363,349	\$3,828,267.62	0.07496%	280	\$2,869.50
2012-13 TOTAL PROPERTY TAX LIABILITY						\$2,192,954.60

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-13 ASSESSED VALUATION **1.57%**

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 10	CFD	\$38,230,000	\$37,556,000	13.93048%	276	\$5,231,731
Poway Unified School District CFD No. 10, Impv Area E	CFD	\$5,750,000	\$5,405,000	100.00000%	275	\$5,405,000
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$10,636,731
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$10,636,731

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$196,545,000	0.00665%	280	\$13,061
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$318,573,901	0.15883%	280	\$505,978
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$519,040
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$519,040
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$11,155,771.00
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT						12.49:1

⁽¹⁾ Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

The overlapping debt report in Table 12E below includes the assessed value of all parcels within CFD No. 11 Zone 1/Improvement Area A. The difference in assessed value of \$196,504,437 from the previous CFD No. 11 Zone 1/Improvement Area A tables of \$195,930,437 includes \$574,000 in assessed value for one (1) prepaid parcel that is not subject to the CFD No. 11 Zone 1 Annual Special Tax/CFD No. 11 Improvement Area A Special Tax.

Table 12E
Community Facilities District No. 11, Zone 1/Improvement Area A
Detailed Direct and Overlapping Debt

I. Assessed Value

2012-13 Secured Roll Assessed Value **\$196,504,437**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	961,824	\$3,649,804,544.99	0.05330%	277	\$1,945,225.82
Voter Approved Debt	VOTER	961,631	\$329,159,699.43	0.01309%	277	\$43,083.44
County of San Diego Vector Control, Zone A	VECTOR	532,622	\$1,495,639.80	0.05496%	274	\$822.00
County of San Diego Vector Control, Zone B	VECTOR	360,572	\$751,895.46	0.00091%	3	\$6.84
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,844.58	0.03086%	277	\$1,623.22
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,321	\$4,368,410.30	0.07292%	277	\$3,185.50
Poway Unified School District CFD No. 11, Impv Area A	CFD	276	\$830,771.80	100.00000%	276	\$830,771.80
Poway Unified School District CFD No. 11, Zone 1	CFD	327	\$653,010.48	100.00000%	276	\$653,010.48
San Diego County Water Authority Standby Charge	STANDBY	363,349	\$3,828,267.62	0.07236%	277	\$2,770.00

2012-13 TOTAL PROPERTY TAX LIABILITY **\$3,480,499.10**

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-13 ASSESSED VALUATION **1.77%**

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 11, Impv Area A	CFD	\$11,000,000	\$10,435,000	100.00000%	276	\$10,435,000
Poway Unified School District CFD No. 11, Zone 1	CFD	\$9,000,000	\$8,545,000	100.00000%	276	\$8,545,000

TOTAL LAND SECURED BOND INDEBTEDNESS (1) **\$18,980,000**

TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1) **\$18,980,000**

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$196,545,000	0.00937%	277	\$18,414
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$318,573,901	0.22392%	277	\$713,345
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$474,631,554	0.32700%	277	\$1,552,025

TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1) **\$2,283,785**

TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1) **\$2,283,785**

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT **\$21,263,785.00**
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT **9.24:1**

⁽¹⁾ Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

The overlapping debt report in Table 12F below includes the assessed value of all parcels within CFD No. 11 Zone 2, including \$5,690,194 in assessed value for one (1) church parcel, \$14,235,000 in assessed value for one (1) affordable housing parcel and \$1,490,000 in assessed value for three (3) prepaid parcel that are not subject to the CFD No. 11 Zone 2 Annual Special Tax.

Table 12F
Community Facilities District No. 11, Zone 2
Detailed Direct and Overlapping Debt

I. Assessed Value

2012-13 Secured Roll Assessed Value **\$223,912,213**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	961,824	\$3,649,804,544.99	0.05586%	211	\$2,038,759.42
Voter Approved Debt	VOTER	961,631	\$329,159,699.43	0.01372%	211	\$45,156.36
County of San Diego Vector Control, Zone B	VECTOR	360,572	\$751,895.46	0.06429%	212	\$483.36
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,844.58	0.02486%	212	\$1,307.34
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,321	\$4,368,410.30	0.06004%	212	\$2,622.74
Poway Unified School District CFD No. 11, Impv Area B	CFD	208	\$681,645.76	100.00000%	208	\$681,645.76
Poway Unified School District CFD No. 11, Zone 2	CFD	265	\$516,291.12	100.00000%	207	\$516,291.12
San Diego County Water Authority Standby Charge	STANDBY	363,349	\$3,828,267.62	0.05957%	212	\$2,280.50
2012-13 TOTAL PROPERTY TAX LIABILITY						\$3,288,546.60

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-13 ASSESSED VALUATION **1.47%**

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 11, Impv Area B	CFD	\$9,035,000	\$8,620,000	100.00000%	208	\$8,620,000
Poway Unified School District CFD No. 11, Zone 2	CFD	\$5,150,000	\$5,130,000	100.00000%	207	\$5,130,000
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$13,750,000
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$13,750,000

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$196,545,000	0.01068%	211	\$20,983
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$318,573,901	0.25515%	211	\$812,840
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$833,823
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$833,823
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$14,583,822.92
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT						15.35:1

⁽¹⁾ Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

The overlapping debt report in Table 12G below includes the assessed value of all parcels within CFD No. 11 Zone 3, including \$1,667,831 in assessed value for two (2) prepaid parcels and \$35,815,650 in assessed value for 117 residential parcels for which building permits were not issued as of May 1, 2012.

Table 12G
Community Facilities District No. 11, Zone 3
Detailed Direct and Overlapping Debt

I. Assessed Value

2012-13 Secured Roll Assessed Value **\$218,140,936**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	961,824	\$3,649,804,544.99	0.05949%	341	\$2,171,259.36
Voter Approved Debt	VOTER	961,631	\$329,159,699.43	0.01461%	341	\$48,089.56
County of San Diego Vector Control, Zone B	VECTOR	360,572	\$751,895.46	0.10340%	341	\$777.48
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,844.58	0.02553%	341	\$1,342.70
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,321	\$4,368,410.30	0.09018%	341	\$3,939.34
Poway Unified School District CFD No. 11, Impv Area C	CFD	403	\$910,544.70	100.00000%	340	\$910,544.70
Poway Unified School District CFD No. 11, Zone 3	CFD	403	\$552,134.62	100.00000%	223	\$552,134.62
San Diego County Water Authority Standby Charge	STANDBY	363,349	\$3,828,267.62	0.08948%	341	\$3,425.50
2012-13 TOTAL PROPERTY TAX LIABILITY						\$3,691,513.26

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-13 ASSESSED VALUATION **1.69%**

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 11, Impv Area C	CFD	\$13,475,000	\$12,955,000	100.00000%	340	\$12,955,000
Poway Unified School District CFD No. 11, Zone 3	CFD	\$3,845,000	\$3,820,000	100.00000%	223	\$3,820,000
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$16,775,000
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$16,775,000

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$196,545,000	0.01040%	341	\$20,442
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$318,573,901	0.24857%	341	\$791,889
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$812,331
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$812,331
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$17,587,331.36
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT						12.40:1

⁽¹⁾ Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

The tables below set forth estimated Fiscal Year 2012-13 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 13A
Community Facilities District No. 2, Improvement Area 1
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Single Family Detached Unit Containing 2,828 Building Square Feet)

Assessed Valuations and Property Taxes		
Assessed Value ⁽¹⁾	\$782,867	
Homeowner's Exemption	(7,000)	
Net Assessed Value ⁽²⁾	\$775,867	
Ad Valorem Property Taxes	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$7,758.67
<i>Ad Valorem</i> Tax Overrides		
Palomar Community College Debt Service	0.01365	105.91
Metropolitan Water District Debt Service	0.00350	27.15
San Diego City Zoological Exhibit Debt Service	0.00500	38.79
Total <i>Ad Valorem</i> Property Taxes	1.02215%	\$7,930.52
Assessments, Special Taxes and Parcel Charges⁽³⁾		
Poway Unified School District CFD No. 2, IA 1		\$1,508.22
Poway Unified School District CFD No. 2		2,758.08
Torrey Highlands Maintenance Charge		36.52
MWD Water Standby Charge		11.50
San Diego County CWA Water Availability Standby Charge		10.00
County of San Diego Mosquito/Disease Control		5.86
County of San Diego Mosquito/Rat Control		3.00
Total Assessments, Special Taxes and Parcel Charges		\$4,333.18
Total Property Taxes		\$12,263.70
Total Effective Tax Rate		1.57%

⁽¹⁾ Fiscal Year 2012-13 assessed valuation for a single family detached unit containing 2,828 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 2, Improvement Area 1.

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

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

Source: Dolinka Group, LLC.

Table 13B
Zone 1 of Community Facilities District No. 10, Improvement Area C
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Multi Family Attached Unit Containing 1,534 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$309,000
Homeowner's Exemption	(7,000)
Net Assessed Value ⁽²⁾	\$ 302,000

Ad Valorem Property Taxes

	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$3,020.00
<i>Ad Valorem Tax Overrides</i>		
Palomar Community College Debt Service	0.01365	41.22
Metropolitan Water District Debt Service	0.00350	10.56
San Diego City Zoological Exhibit Debt Service	0.00500	15.10
Total <i>Ad Valorem</i> Property Taxes	1.02215%	\$3,086.88

Assessments, Special Taxes and Parcel Charges⁽³⁾

Poway Unified School District CFD No. 10, IA C	\$1,840.12
Poway Unified School District CFD No. 10	955.22
Torrey Highlands Maintenance Charge	39.20
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Mosquito/Disease Control	4.10
County of San Diego Mosquito/Rat Control	3.00
Total Assessments, Special Taxes and Parcel Charges	\$2,863.14

Total Property Taxes	\$5,950.02
Total Effective Tax Rate	1.93%

⁽¹⁾ Fiscal Year 2012-13 assessed valuation for a multi family attached unit containing 1,534 building square feet, selected to represent the median effective tax rate for a residential unit within Zone 1 of CFD No. 10, Improvement Area C.

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

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

Source: Dolinka Group, LLC.

Table 13C
Zone 2 of Community Facilities District No. 10, Improvement Area C
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Single Family Detached Unit Containing 2,170 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$452,000
Homeowner's Exemption	(7,000)
Net Assessed Value ⁽²⁾	\$ 445,000

Ad Valorem Property Taxes	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$4,450.00
<i>Ad Valorem Tax Overrides</i>		
Palomar Community College Debt Service	0.01365	60.75
Metropolitan Water District Debt Service	0.00350	15.57
San Diego City Zoological Exhibit Debt Service	0.00500	22.24
Total Ad Valorem Property Taxes	1.02215%	\$4,548.56

Assessments, Special Taxes and Parcel Charges⁽³⁾

Poway Unified School District CFD No. 10, IA C	\$1,478.54
Poway Unified School District CFD No. 10	2,317.74
Torrey Highlands Maintenance Charge	56.02
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Mosquito/Disease Control	5.86
County of San Diego Mosquito/Rat Control	3.00
Total Assessments, Special Taxes and Parcel Charges	\$3,882.66

Total Property Taxes	\$8,431.22
Total Effective Tax Rate	1.87%

⁽¹⁾ Fiscal Year 2012-13 assessed valuation for a single family detached unit containing 2,170 building square feet, selected to represent the median effective tax rate for a residential unit within Zone 2 of CFD No. 10, Improvement Area C.

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

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

Source: Dolinka Group, LLC.

Table 13D
Community Facilities District No. 10, Improvement Area D
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Single Family Detached Unit Containing 3,297 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$625,000
Homeowner's Exemption	(7,000)
Net Assessed Value ⁽²⁾	\$618,000

Ad Valorem Property Taxes	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$6,180.00
<i>Ad Valorem</i> Tax Overrides		
Palomar Community College Debt Service	0.01365	84.36
Metropolitan Water District Debt Service	0.00350	21.62
San Diego City Zoological Exhibit Debt Service	0.00500	30.90
Total <i>Ad Valorem</i> Property Taxes	1.02215%	\$6,316.88

Assessments, Special Taxes and Parcel Charges⁽³⁾

Poway Unified School District CFD No. 10, IA D	\$3,077.60
Poway Unified School District CFD No. 10	2,271.74
Torrey Highlands Maintenance Charge	56.02
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Mosquito/Disease Control	5.86
County of San Diego Mosquito/Rat Control	3.00
Total Assessments, Special Taxes and Parcel Charges	\$5,435.72

Total Property Taxes	\$11,752.60
Total Effective Tax Rate	1.88%

⁽¹⁾ Fiscal Year 2012-13 assessed valuation for a single family detached unit containing 3,297 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 10, Improvement Area D.

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

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

Source: Dolinka Group, LLC.

Table 13E
Zone A of Community Facilities District No. 10, Improvement Area E
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Multi Family Attached Unit Containing 1,731 Building Square Feet)

Assessed Valuations and Property Taxes		
Assessed Value ⁽¹⁾	\$400,000	
Homeowner's Exemption	(7,000)	
Net Assessed Value ⁽²⁾	\$393,000	
Ad Valorem Property Taxes	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$3,930.00
<i>Ad Valorem</i> Tax Overrides		
Palomar Community College Debt Service	0.01365	53.64
Metropolitan Water District Debt Service	0.00350	13.75
San Diego City Zoological Exhibit Debt Service	0.00500	19.65
Total <i>Ad Valorem</i> Property Taxes	1.02215%	\$4,017.04
Assessments, Special Taxes and Parcel Charges⁽³⁾		
Poway Unified School District CFD No. 10, IA E		\$1,777.14
Poway Unified School District CFD No. 10		1,290.42
Torrey Highlands Maintenance Charge		39.20
MWD Water Standby Charge		11.50
San Diego County CWA Water Availability Standby Charge		10.00
County of San Diego Mosquito/Disease Control		4.10
County of San Diego Mosquito/Rat Control		3.00
Total Assessments, Special Taxes and Parcel Charges		\$3,135.36
Total Property Taxes		\$7,152.40
Total Effective Tax Rate		1.79%

⁽¹⁾ Fiscal Year 2012-13 assessed valuation for a multi family attached unit containing 1,731 building square feet, selected to represent the median effective tax rate for a residential unit within Zone A of CFD No. 10, Improvement Area E.

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

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

Source: Dolinka Group, LLC.

Table 13F
Zone B of Community Facilities District No. 10, Improvement Area E
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Multi Family Attached Unit Containing 1,612 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$334,000
Homeowner's Exemption	(7,000)
Net Assessed Value ⁽²⁾	\$327,000

Ad Valorem Property Taxes

	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$3,270.00
<i>Ad Valorem</i> Tax Overrides		
Palomar Community College Debt Service	0.01365	44.63
Metropolitan Water District Debt Service	0.00350	11.44
San Diego City Zoological Exhibit Debt Service	0.00500	16.35
Total <i>Ad Valorem</i> Property Taxes	1.02215%	\$3,342.42

Assessments, Special Taxes and Parcel Charges⁽³⁾

Poway Unified School District CFD No. 10, IA E	\$1,692.78
Poway Unified School District CFD No. 10	1,290.42
Torrey Highlands Maintenance Charge	39.20
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Mosquito/Disease Control	4.10
County of San Diego Mosquito/Rat Control	3.00
Total Assessments, Special Taxes and Parcel Charges	\$3,051.00

Total Property Taxes

	\$6,393.42
Total Effective Tax Rate	1.91%

⁽¹⁾ Fiscal Year 2012-13 assessed valuation for a multi family attached unit containing 1,612 building square feet, selected to represent the median effective tax rate for a residential unit within Zone B of CFD No. 10, Improvement Area E.

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

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

Source: Dolinka Group, LLC.

Table 13G
Community Facilities District No. 11, Zone 1 and Improvement Area A
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Single Family Detached Unit Containing 3,869 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$656,000
Homeowner's Exemption	(7,000)
Net Assessed Value ⁽²⁾	\$ 649,000

Ad Valorem Property Taxes	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$6,490.00
<i>Ad Valorem</i> Tax Overrides		
Palomar Community College Debt Service	0.01365	88.58
Metropolitan Water District Debt Service	0.00350	22.72
San Diego City Zoological Exhibit Debt Service	0.00500	32.44
Total <i>Ad Valorem</i> Property Taxes	1.02215%	\$6,633.74

Assessments, Special Taxes and Parcel Charges⁽³⁾

Poway Unified School District CFD No. 11, IA A	\$3,396.60
Poway Unified School District CFD No. 11, Zone 1	2,365.98
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Mosquito/Disease Control	5.86
County of San Diego Mosquito/Rat Control	3.00
Total Assessments, Special Taxes and Parcel Charges	\$5,792.94

Total Property Taxes	\$12,426.68
Total Effective Tax Rate	1.89%

⁽¹⁾ Fiscal Year 2012-13 assessed valuation for a single family detached unit containing 3,869 building square feet, selected to represent the median effective tax rate for a residential unit within Zone 1 and Improvement Area A of CFD No. 11.

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

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

Source: Dolinka Group, LLC.

Table 13H
Community Facilities District No. 11, Zone 2
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Single Family Detached Unit Containing 4,720 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$970,000
Homeowner's Exemption	(7,000)
Net Assessed Value ⁽²⁾	\$963,000

Ad Valorem Property Taxes	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$9,630.00
<i>Ad Valorem</i> Tax Overrides		
Palomar Community College Debt Service	0.01365	131.45
Metropolitan Water District Debt Service	0.00350	33.70
San Diego City Zoological Exhibit Debt Service	0.00500	48.15
Total <i>Ad Valorem</i> Property Taxes	1.02215%	\$9,843.30

Assessments, Special Taxes and Parcel Charges⁽³⁾

Poway Unified School District CFD No. 11, Zone 2	\$2,494.16
Poway Unified School District CFD No. 11, IA B	3,293.70
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
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	\$5,817.50

Total Property Taxes	\$15,660.80
Total Effective Tax Rate	1.61%

⁽¹⁾ Fiscal Year 2012-13 assessed valuation for a single family detached unit containing 4,720 building square feet, selected to represent the median effective tax rate for a residential unit within Zone 2 of CFD No. 11.

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

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

Source: Dolinka Group, LLC.

Table 13I
Community Facilities District No. 11, Zone 3
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Single Family Detached Unit Containing 3,743 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$720,000
Homeowner's Exemption	(7,000)
Net Assessed Value ⁽²⁾	\$713,000

Ad Valorem Property Taxes	Percent of Total AV	Projected Amount
General Purposes	1.00000%	\$7,130.00
<i>Ad Valorem</i> Tax Overrides		
Palomar Community College Debt Service	0.01365	97.32
Metropolitan Water District Debt Service	0.00350	24.95
San Diego City Zoological Exhibit Debt Service	0.00500	35.65
Total <i>Ad Valorem</i> Property Taxes	1.02215%	\$7,287.92

Assessments, Special Taxes and Parcel Charges⁽³⁾

Poway Unified School District CFD No. 11, Zone 3	\$2,475.94
Poway Unified School District CFD No. 11, IA C	2,248.88
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
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	\$4,754.46

Total Property Taxes	\$12,042.38
Total Effective Tax Rate	1.67%

⁽¹⁾ Fiscal Year 2012-13 assessed valuation for a single family detached unit containing 3,743 building square feet, selected to represent the median effective tax rate for a residential unit within Zone 3 of CFD No. 11.

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

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

Source: Dolinka Group, LLC.

Overlapping Assessment and Maintenance Districts

As indicated in the tables above, properties within each Improvement Area and Zone are subject to a variety of standby charges, direct assessments, maintenance assessments, special assessments and service charges.

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 of San Diego 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 Improvement Area and Zone 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 an Improvement Area or Zone on a parity with a lien of the Special Taxes of such Improvement Area or Zone.

Accordingly, the debt on the property within each Improvement Area or Zone 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 Bonds – *Assessed Values and Appraised Values.*”

Rates and Methods of Apportionment of Special Tax

The Board and the qualified electors of each Improvement Area or Zone 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 or Zone. 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 or Zone is generally to be levied as follows: (i) to pay debt service on the indebtedness of the applicable Improvement Area or Zone; (ii) for the direct cost of authorized facilities; (iii) for the administrative expenses with respect to the applicable Improvement Area or Zone incurred in administration of any bonded indebtedness of the applicable Improvement Area or Zone 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 or Zone were levied on Developed Property as defined in the applicable Rate and Method with respect to each applicable Improvement Area or Zone. The homes have been sold to individual owners and, based on the assessed value, no taxpayer Special Tax levy in any Improvement Area or Zone exceeds 1%. Information regarding the Fiscal Year 2012-13 Special Tax levy is set forth above in Tables 4 and 5A through 5H in SOURCES OF PAYMENT FOR THE BONDS – “The CFD Bonds – *Special Taxes.*”

CFD No. 2 IA 1 Rate and Method. The Board and the qualified elector of Improvement Area 1 of CFD No. 2 adopted and approved the CFD No. 2 IA 1 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. 2 IA 1 Rate and Method is included herein in Appendix B. In addition, the qualified electors within CFD No. 2 authorized a special tax within all of CFD No. 2 to finance school facilities as set forth in Appendix B.

Special Taxes may be levied for a period of 35 Fiscal Years after the last series of bonds have been issued but in any case not after Fiscal Year 2050-51 with respect to Improvement Area 1 of CFD No. 2. All property within Improvement Area 1 of CFD No. 2 which is being taxed is classified as Developed Property.

The amount of Special Taxes estimated to be levied on parcels within Improvement Area 1 of CFD No. 2 for Fiscal Year 2012-13 are set forth in Table 4 with the amount subject to escalation at 2% each year. The CFD No. 2 Improvement Area 1 Rate and Method provides that the Special Tax may be levied up to the maximum Special Tax that is applicable to each parcel.

CFD No. 2 Improvement Area 1 Special Taxes may be prepaid by paying the prepayment amount minus an amount based on the amount of the applicable Series of CFD 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 Bonds under the terms and conditions set forth in the applicable CFD Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds – *Redemption Fund*.”

CFD No. 10 Improvement Area C, D and E 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 of San Diego 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 C, D and E 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 2012-13 are set forth in Table 4 with the amount subject to escalation at 2% each year. Each applicable Improvement Area Rate and Method provides that the Special Tax may be levied up to the maximum Special Tax that is applicable to each parcel.

Special Taxes within each Improvement Area may be levied for a specific period after the issuance of the last series of bonds have been issued for the applicable Improvement Area of CFD No. 10: (i) with respect to Improvement Area C, a term of 31 years, but in no event later than Fiscal Year 2045-46; (ii) with respect to Improvement Area D, a term of 34 years, but in no event later than Fiscal Year 2045-46; and (iii) with respect to Improvement Area E, a term of 31 years, but in no event later than Fiscal Year 2045-46.

Special Taxes with respect to each Improvement Area may be prepaid by paying the prepayment amount calculated based on a proportionate amount of the applicable bonds outstanding, plus any applicable redemption premium, plus administrative fees. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the 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 Bonds under the terms and conditions set forth in the applicable CFD Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds – *Redemption Fund*.”

CFD No. 11 Improvement Area A and Zones 1, 2 and 3 Rates and Methods. The Board and the qualified electors of Improvement Area A and Zones 1, 2 and 3 of CFD No. 11 adopted and approved the applicable Rate and Method for each such Improvement Area and Zone for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. The Improvement Area and/or Zone Rate and Method authorize a Special Tax to be levied to finance City of San Diego facilities and other authorized facilities according to the applicable Improvement Area’s or Zone’s Rate and Method. A copy of each Rate and Method for Improvement Area A and Zones 1, 2 and 3 of CFD No. 11 is included herein in APPENDIX B. In addition, the qualified electors within CFD No. 11 authorized a special tax within all of CFD No. 11 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 and Zone of CFD No. 11 for Fiscal Year 2012-13 is set forth in Table 4 with the amount subject to escalation at 2% each year. Each applicable Improvement Area and Zone Rate and Method provides that the Special Tax may be levied up to the maximum Special Tax that is applicable to each parcel.

Special Taxes within each Improvement Area or Zone may be levied for a period of 30 Fiscal Years after the last series of bonds have been issued for the applicable Improvement Area or Zone of CFD No. 11, but in any case not after Fiscal Year 2050-51.

Special Taxes with respect to each Improvement Area or Zone 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 Bonds under the terms and conditions set forth in the applicable CFD Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds – *Redemption Fund*.”

Special Tax Delinquency

Under each CFD Bond Indenture, each District has the authority and the obligation to increase the levy of Special Taxes against non-delinquent property owners in the applicable Improvement Area or Zone if other owners in the District are delinquent. However, each 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 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 Bonds, which in turn could result in draws on the Reserve Fund held by the Trustee for the Bonds.

Although each 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 Improvement Area or Zone from Fiscal Year 2007-08, or such later fiscal year as the levy of Special Taxes commenced, to and including the first installment for Fiscal Year 2012-13.

Table 14A
Poway Unified School District
Public Financing Authority
Community Facilities District No. 2, Improvement Area 1
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						January 3, 2013		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2011	\$22,015.38	\$22,015.38	15	0	\$0.00	0.00%	0	\$0.00	0.00%
2012	92,140.40	92,140.40	61	0	0.00	0.00	0	0.00	0.00
2013 ⁽²⁾	167,680.90	82,319.19	108	2	1,521.26	1.81	2	1,521.26	1.81

(1) Delinquency information is provided to the School District by the County of San Diego as of January 3, 2013. Except for Fiscal Year 2012-13, reflects fiscal year delinquencies on or about June 30th of the applicable fiscal year.

(2) Reflects Special Taxes received for First Installment only.

Source: Dolinka Group, LLC.

Table 14B
Poway Unified School District
Public Financing Authority
Community Facilities District No. 10, Improvement Area C
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						January 3, 2013		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$263,405.00	\$251,231.43	191	12	\$12,173.57	4.62%	0	\$0.00	0.00%
2009	268,672.64	259,411.04	191	9	9,261.60	3.45	0	0.00	0.00
2010	274,047.14	270,375.54	191	3	3,671.60	1.34	0	0.00	0.00
2011	279,527.42	277,896.80	191	2	1,630.62	0.58	0	0.00	0.00
2012	285,118.48	282,641.76	191	2	2,476.72	0.87	2	2,476.72	0.87
2013 ⁽²⁾	290,821.34	140,152.96	191	7	5,257.71	3.62	7	5,257.71	3.62

(1) Delinquency information is provided to the School District by the County of San Diego as of January 3, 2013. Except for Fiscal Year 2012-13, reflects fiscal year delinquencies on or about June 30th of the applicable fiscal year.

(2) Reflects Special Taxes received for First Installment only.

Source: Dolinka Group, LLC.

Table 14C
Poway Unified School District
Public Financing Authority
Community Facilities District No. 10, Improvement Area D
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						January 3, 2013		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$366,199.56	\$356,866.04	142	5	\$9,333.52	2.55%	0	\$0.00	0.00%
2009	373,523.16	349,552.29	142	10	23,970.87	6.42	1	1,421.79	0.38
2010	380,980.28	365,360.02	142	6	15,620.26	4.10	1	2,900.08	0.76
2011	388,600.28	380,062.82	142	4	8,537.46	2.20	1	1,479.04	0.38
2012	396,371.00	386,154.19	142	4	10,216.81	2.58	2	4,411.35	1.11
2013 ⁽²⁾	404,298.80	194,805.83	142	5	7,343.57	3.63	5	7,343.57	3.63

(1) Delinquency information is provided to the School District by the County of San Diego as of January 3, 2013. Except for Fiscal Year 2012-13, reflects fiscal year delinquencies on or about June 30th of the applicable fiscal year.

(2) Reflects Special Taxes received for First Installment only.

Source: Dolinka Group, LLC.

Table 14D
Poway Unified School District
Public Financing Authority
Community Facilities District No. 10, Improvement Area E
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						January 3, 2013		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$419,915.76	\$395,862.04	267	20	\$24,053.72	5.73%	0	\$0.00	0.00%
2009	437,011.04	407,987.91	275	22	29,023.13	6.64	0	0.00	0.00
2010	445,752.32	426,614.39	275	15	19,137.93	4.29	0	0.00	0.00
2011	454,667.18	445,973.72	275	6	8,693.46	1.91	0	0.00	0.00
2012	463,760.18	461,188.11	275	2	2,572.07	0.55	0	0.00	0.00
2013 ⁽²⁾	473,036.54	232,884.49	275	4	3,633.78	1.54	4	3,633.78	1.54

(1) Delinquency information is provided to the School District by the County of San Diego as of January 3, 2013. Except for Fiscal Year 2012-13, reflects fiscal year delinquencies on or about June 30th of the applicable fiscal year.

(2) Reflects Special Taxes received for First Installment only.

Source: Dolinka Group, LLC.

Table 14E
Poway Unified School District
Public Financing Authority
Community Facilities District No. 11, Zone 1
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						January 3, 2013		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate ⁽²⁾
2008	\$580,736.74	\$560,378.81	271	12	\$20,357.93	3.51%	2	\$2,678.67	0.46%
2009	592,351.80	550,821.60	271	23	41,530.20	7.01	2	4,371.60	0.74
2010	617,577.04	591,937.56	277	14	25,639.48	4.15	2	4,459.04	0.72
2011	629,931.24	624,245.94	277	3	5,685.30	0.90	1	2,274.12	0.36
2012	642,529.20	634,410.60	277	5	8,118.60	1.26	0	0.00	0.00
2013 ⁽³⁾	653,010.48	313,492.35	276	11	13,012.89	3.99	11	13,012.89	3.99

⁽¹⁾ Delinquency information is provided to the School District by the County of San Diego as of January 3, 2013. Except for Fiscal Year 2012-13, reflects fiscal year delinquencies on or about June 30th of the applicable fiscal year.

⁽²⁾ One APN is delinquent in the Fiscal Year 2006-07 Special Tax in the amount of \$1,050.46 creating a Remaining Delinquency Rate of 0.13%.

⁽³⁾ Reflects Special Taxes received for First Installment only.

Source: Dolinka Group, LLC.

Table 14F
Poway Unified School District
Public Financing Authority
Community Facilities District No. 11, Zone 2
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						January 3, 2013		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$286,898.08	\$263,178.16	127	12	\$23,719.92	8.27%	0	\$0.00	0.00%
2009	516,855.86	501,878.43	212	8	14,977.43	2.90	0	0.00	0.00
2010	415,999.56	405,423.30	177	5	10,576.26	2.54	1	2,350.28	0.56
2011	462,678.90	456,685.65	193	4	5,993.25	1.30	0	0.00	0.00
2012	503,719.44	497,606.34	206	4	6,113.10	1.21	0	0.00	0.00
2013 ⁽²⁾	516,291.12	253,157.24	207	4	4,988.32	1.93	4	4,988.32	1.93

⁽¹⁾ Delinquency information is provided to the School District by the County of San Diego as of January 3, 2013. Except for Fiscal Year 2012-13, reflects fiscal year delinquencies on or about June 30th of the applicable fiscal year.

⁽²⁾ Reflects Special Taxes received for First Installment only.

Source: Dolinka Group, LLC.

Table 14G
Poway Unified School District
Public Financing Authority
Community Facilities District No. 11, Zone 3
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						January 3, 2013		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$152,491.36	\$151,370.10	68	1	\$1,121.26	0.74%	0	\$0.00	0.00%
2009	472,168.08	461,874.87	342	5	10,293.21	2.18	0	0.00	0.00
2010	317,304.32	312,638.08	136	2	4,666.24	1.47	0	0.00	0.00
2011	395,043.48	393,853.59	166	1	1,189.89	0.30	0	0.00	0.00
2012	453,920.06	450,278.99	187	2	3,641.07	0.80	0	0.00	0.00
2013 ^{(2) (3)}	552,134.62	273,591.37	223	2	2,475.94	0.90	2	2,475.94	0.90

(1) Delinquency information is provided to the School District by the County of San Diego as of January 3, 2013. Except for Fiscal Year 2012-13, reflects fiscal year delinquencies on or about June 30th of the applicable fiscal year.

(2) Reflects Special Taxes received for First Installment only.

(3) Special Tax levy in Table 5G is reduced by one (1) unit due to a Prepayment accepted after the Special Taxes were submitted and enrolled by the County.

Source: Dolinka Group, LLC.

Table 14H
Poway Unified School District
Public Financing Authority
Community Facilities District No. 11, Improvement Area A
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						January 3, 2013		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate ⁽²⁾
2008	\$734,497.16	\$710,415.45	271	12	\$24,081.71	3.28%	2	\$4,340.01	0.59%
2009	749,186.20	695,627.83	271	23	53,558.37	7.15	2	5,902.40	0.79
2010	785,147.54	753,358.18	277	14	31,789.36	4.05	2	5,661.42	0.72
2011	800,849.98	794,093.13	277	3	6,756.85	0.84	0	0.00	0.00
2012	816,866.58	806,716.97	277	5	10,149.61	1.24	0	0.00	0.00
2013 ⁽³⁾	830,771.80	399,651.24	276	11	15,734.66	3.79	11	15,734.66	3.79

(1) Delinquency information is provided to the School District by the County of San Diego as of January 3, 2013. Except for Fiscal Year 2012-13, reflects fiscal year delinquencies on or about June 30th of the applicable fiscal year.

(2) One APN is delinquent in the Fiscal Year 2006-07 Special Tax in the amount of \$1,418.30 creating a Remaining Delinquency Rate of 0.20%.

(3) Reflects Special Taxes received for First Installment only.

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 Improvement Area and Zone 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 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 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 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 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 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 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 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 owners of the applicable CFD Bonds 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 Improvement Area or Zone, 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 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 or examination of tax-exempt bond issues, including both random and targeted audits and examinations. It is possible that the Bonds will be selected for audit or examination 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 or examination of the Bonds (or by an audit of similar bonds).

For example, the School District received a letter from the Internal Revenue Service (“the IRS”) dated February 6, 2012, in connection with the General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series B (the “SFID 2007-1 Series B Bonds”). The letter indicated that the IRS had selected the SFID 2007-1 Series B Bonds for examination. The IRS routinely examines municipal debt issuances to determine compliance with federal tax requirements. The IRS has asked for copies of specified documents and responses to specific questions, and other items may be requested as the examination proceeds. The School District is cooperating with the IRS in the examination. The IRS has not made any determination about the tax-exempt status of the SFID 2007-1 Series B Bonds, including in particular any adverse notices or determinates described in Securities Exchange Commission Rule 15c2-12(b)(5)(i)(C)(6).

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption. Future legislative proposals, if enacted into law, clarification of the Code 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 Owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of or marketability of, the Bonds. In 2011 and 2012, legislative changes were proposed in Congress, which, if enacted would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as 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 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 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, landslides, 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.

Economic Uncertainty. The Bonds are being issued at a time of economic uncertainty and volatility. Unemployment rates have decreased to approximately 4.9% for the Poway area as of November, 2012 (not seasonally adjusted) as compared to 5.9% for calendar year 2011 and approximately 8.3% (not seasonally adjusted) for San Diego County as compared to 10.0% for calendar year 2011. The Authority and the Districts 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 Bonds.

State Budget. As a result of the slow State and United States of America economies, the State is experiencing serious budgetary shortfalls for the current and prior fiscal years. The effect of the State revenue shortfalls on the local or State economy or on the demand for, or value of, the property within the Districts cannot be predicted.

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

Assessed Values and Appraised Values. Prospective purchasers of the Bonds should not assume that the land within an Improvement Area or Zone could be sold for the assessed or appraised 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 and Zone. This value is merely the amount of the assessed value in the records maintained by the County Assessor. 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.

The Assessed Value Analysis and Summary Appraisal Report estimates the fee simple interest assessed value of certain developed residential property. This value is merely the present opinion of the Appraiser and is qualified by the Appraiser as stated in the Assessed Value Analysis and Summary Appraisal Report. The Authority and the Districts have not sought the present opinion of any other appraiser of the value of the Taxable Property. A different present opinion of such value might be rendered by a different appraiser. In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that if any of the Taxable Property in an Improvement Area or Zone should become delinquent in the payment of Special Taxes, and be foreclosed upon, that such property could be sold for the assessed value or the appraised value. See “THE DISTRICTS – Estimated Property Values and Estimated 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 Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the CFD Bonds. The CFD 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 and Zone 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 Bonds, it is necessary that the Special Taxes within each Improvement Area and Zone 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 Bonds are derived, are customarily billed to the properties within the applicable Improvement Area or Zone on the regular *ad valorem* property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular *ad valorem* property tax installments. The unwillingness or inability of a property owner to pay *ad valorem* property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. If a substantial number of homeowners fail to pay the Special Taxes when due there could be significant special tax delinquencies.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the CFD Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the applicable 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 foreclose on the lien of the Special Taxes in certain circumstances.

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

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

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

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glaspy 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 or Zone 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, 2012, the FDIC did not own any of the property in any Improvement Area or Zone 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 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 Bonds. See “ – *Right to Vote on Taxes Act*” below.

Maximum Rates. Within the limits of the applicable Rate and Method, each District may adjust the Special Tax levied on all property within the applicable Improvement Area or Zone to provide an amount required to pay debt service on its CFD Bonds and other obligations of the District, 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 Bonds” and “THE DISTRICTS – Rates and Methods of Apportionment of Special Tax.”

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

District Formation. California voters, on June 6, 1978, approved an amendment (“Article XIII A”) to the California Constitution. Section 4 of Article XIII A, requires a vote of two-thirds of the qualified electorate to impose “special taxes,” or any additional *ad valorem*, sales or transaction taxes on real property. At an election held pursuant to the Act, more than two-thirds of the qualified electors within each District or Improvement Area, as applicable, consisting of the landowners within the boundaries of the applicable District or Improvement Area, 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 XIII A, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a “special tax” for purposes of Article XIII A.

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

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

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

Collection of Special Tax. In order to pay debt service on the Bonds, it is necessary that the Special Tax levied against land within each Improvement Area or Zone be paid in a timely manner so that debt service on the CFD 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 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 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the Board to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the Board with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See “SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure.”

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

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

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

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

Right to Vote on Taxes Act. An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC (“Article XIIC”) and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the

California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative as they may relate to community facilities districts are subject to interpretation by the courts.

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

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

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 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 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 Bonds. On December 10, 2012, by the adoption of a resolution, the Authority authorized the execution of the Authority Indenture and the purchase of the CFD 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 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 Bonds, or in any way contesting or affecting the validity of the Bonds or the CFD Bonds or any proceedings of the Authority or the Districts taken with respect to the execution thereof. No litigation certificates executed by the Authority and the Districts will be delivered to the Underwriter simultaneously with the delivery of the Bonds.

No General Obligation of Authority, School District or Districts

The Bonds are not general obligations of the Authority, School District or the Districts, but are limited obligations of the Authority payable from Revenues derived from the CFD Bonds. The CFD 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 or Zone and proceeds of the CFD 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 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 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 Bonds and to rendering an opinion as to the validity of the Bonds and the CFD 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.

Rating

The Bonds have been assigned a rating of "BBB" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency through its website. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Some information provided to the rating agency by the School District may not appear in this Official Statement. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

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 \$40,292,861.05 (which represents the principal amount of the Bonds of \$37,785,000.00, plus the net premium of \$2,845,865.80 and less the Underwriter’s discount of \$338,004.75). 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 Appraiser 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. 2, 10
AND 11

By: /s/ John P. Collins, Ed.D.

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. 2, 10 and 11 of
the Poway Unified School District

APPENDIX A

GENERAL INFORMATION ABOUT THE POWAY UNIFIED SCHOOL DISTRICT

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

Introduction

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the School District. Additional information concerning the School District and copies of the most recent and subsequent audited financial reports of the School District may be obtained by contacting: Poway Unified School District, 13626 Twin Peaks Road, San Diego, CA 92064-3034, Attention: Planning Director. 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 of San Diego and the County, including the communities of StoneBridge Estates, 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, 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 second period report (P-2, the period from July 1 to April 15) of average daily attendance ("ADA") computed in accordance with State law for the 2011-12 academic year was 33,545.42 and the projected P-2 ADA for the 2012-13 academic year is 33,853.02. The estimated population within the School District's boundaries was approximately 197,429. The School District reported 34,135 students enrolled at the California Basic Educational Data System ("CBEDS") for Fiscal Year 2010-11, 34,569 students enrolled at the CBEDS for Fiscal Year 2011-12 and estimates approximately 35,151 students enrolled at the CBEDS during Fiscal Year 2012-13.

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 2006-07 through Fiscal Year 2012-13 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 north 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:

**Poway Unified School District
Student Enrollment**

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	34,569	33,455	5,170
2012-13	35,151	33,853	5,227

Source: California Department of Education and the School District.

Labor Relations

As of January 7, 2013, the School District employed approximately 1,795 certificated professionals and approximately 1,821 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 Organization¹	Contract Expiration Date
Poway Federation of Teachers (PFT), Local 2357	1,511	6/30/12*
Service Employees International Union	450	6/30/13
Poway Schools Employees Association	1,325	6/30/13

¹Excludes management and part-time employees who are not represented by any of the labor organizations.

*As of January 7, 2013, contract is being finalized.

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 2007-08 was \$11,588,843, in Fiscal Year 2008-09 was \$11,570,502, in Fiscal Year 2009-10 was \$10,272,133, in Fiscal Year 2010-11 was \$9,706,048 and in Fiscal Year 2011-12 was \$9,941,337. The School District's contribution to STRS for Fiscal Year 2012-13 is estimated to be \$10,561,473. 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 2007-08 was \$6,158,527, in Fiscal Year 2008-09 was \$6,244,809, in Fiscal Year 2009-10 was \$5,929,446, in Fiscal Year 2010-11 was \$6,380,309 and in Fiscal Year 2011-12 was \$5,275,444. The School District's contribution to PERS for Fiscal Year 2012-13 is estimated to be \$5,733,293.

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, 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, for the Fiscal Year ending June 30, 2011, was \$2,256,489 and for the Fiscal Year ending June 30, 2012, was \$1,986,310. The School District contribution for these benefits is estimated to be \$2,258,328 for Fiscal Year 2012-13. 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.

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APPENDIX B

RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX

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**RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA NO. 1
COMMUNITY FACILITIES DISTRICT NO. 2
OF POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes ("Rate and Method of Apportionment") of Improvement Area ("IA") No. 1 of Community Facilities District ("CFD") No. 2 of the Poway Unified School District ("School District"). An Annual Special Tax shall be levied and collected on Taxable Property (defined below) located within the boundaries of IA No. 1 of CFD No. 2 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 No. 1 of CFD No. 2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

For purposes of this Rate and Method of Apportionment the terms hereinafter set forth have the following meanings:

"Acreage" means the number of acres of 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 Board may rely on the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of IA No. 1 of CFD No. 2 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including the reasonable expenses of collecting delinquencies, the administration of Bonds, the proportionate payment of salaries and benefits of any School District employee whose duties are directly related to the administration of IA No. 1 of CFD No. 2, and reasonable costs otherwise incurred in order to carry out the authorized purposes of IA No. 1 of CFD No. 2.

"Annual Special Tax" means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of IA No. 1 of CFD No. 2.

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

"Assigned Annual Special Tax" means the Special Tax of that name described in Section D.

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

"Board" means the Board of Education of Poway Unified School District, or its designee, in certain cases acting as the legislative body of IA No. 1 of CFD No. 2.

"Bond Index" means the national Bond Buyer Revenue Index, commonly referenced as the 25-Bond Revenue Index. In the event the Bond Index ceases to be published, the index used shall be based on a comparable index for revenue bonds maturing in 30 years with an average rating equivalent to Moody's A1 and/or S&P's A+, as reasonably determined by the Board.

"Bond Yield" means the yield of the last series of Bonds issued, for purposes of this calculation the yield of the Bonds shall be the yield calculated at the time such Bonds are issued, pursuant to Section 148 of the Internal Revenue Code of 1986, as amended for the purpose of the Tax Exemption Certificate or other similar bond issuance document.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which the Special Taxes have been pledged for repayment.

"Building Permit" means a permit for the construction of one or more Units issued by the City or County, or another public agency in the event the City or County no longer issues said permits for the construction of Units within IA No. 1 of CFD No. 2. For purposes of this definition, "Building Permit" shall not include permits for construction or installation of structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation or commercial/industrial use.

"Building Square Footage" or "BSF" means the square footage of assessable internal living space of a Unit, exclusive of any carports, walkways, garages, overhangs, patios, enclosed patios, detached accessory structure, other structures not used as living space, or any other square footage excluded under Government Code Section 65995 as determined by reference to the Building Permit for such Unit.

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

"City" means the City of San Diego.

"County" means the County of San Diego.

"Developed Property" means all Assessor's Parcels of Taxable Property for which Building Permits were issued on or before March 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 Board.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes in Section J each Fiscal Year as determined March 1 of the previous Fiscal Year.

"Final Subdivision Map" means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual Lots, 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.

"Homeowner" means any owner of a completed Unit constructed and sold within IA No. 1 of CFD No. 2.

"Index" means the Marshall & Swift Western Cities Class B Construction Cost Index, or if the Marshall & Swift Western Cities Class B Construction Cost 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 or (ii) two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change is the Index should be calculated for twelve (12) months ending December 31st of the prior Fiscal Year.

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

"Lot(s)" means an individual legal lot created by a Final Subdivision Map for which a Building Permit for residential construction has been or could be issued. Notwithstanding the foregoing, in the case of an individual legal lot created by such a Final Subdivision Map upon which condominium units are entitled to be developed but for which a condominium plan has not been recorded, the number of Lots allocable to such legal lot for purposes of calculating the Backup Annual Special Tax applicable to such Final Subdivision Map shall equal the number of condominium units which are permitted to be constructed on such legal lot as shown on such Final Subdivision Map.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, that can be levied by IA No. 1 of CFD No. 2 in any Fiscal Year on any Assessor's Parcel.

"Minimum Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the annual debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of IA No. 1 of CFD No. 2, (iii) the costs associated with the release of funds from an escrow account(s) established in association with the Bonds, and (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the Bonds, less (v) any amount(s) available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document. In arriving at the Minimum Annual Special Tax Requirement, the Board shall take into account the reasonably anticipated delinquent Special Taxes.

"Minimum Taxable Acreage" means the applicable Acreage set forth in Section J.

"Net Taxable Acreage" means the total Acreage of all Taxable Property expected to exist in IA No. 1 of CFD No. 2 after all Final Subdivision Maps are recorded.

"Prepayment Administrative Fees" means any fees or expenses of the School District or IA No. 1 of CFD No. 2 associated with the prepayment of the Special Tax obligation of an Assessor's Parcel. Prepayment Administrative Fees shall include among other things the cost of computing the Prepayment Amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption of Bonds.

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

"Present Value of Taxes" means for any Assessor's Parcel the present value of (i) the unpaid portion, if any, of the Special Tax applicable to such Assessor's Parcel in the current Fiscal Year and (ii) the Annual Special Taxes expected to be levied on such Assessor's Parcel in each remaining Fiscal Year, as determined by the Board, until the earlier of (a) 33 Fiscal Years after the current Fiscal Year or (b) the termination date specified in Section I. The discount rate used for this calculation shall be equal to the (i) Bond Yield after Bond issuance or (ii) most recently published Bond Index prior to Bond issuance.

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

"Reserve Fund Credit" means an amount equal to the reduction in the applicable reserve fund requirement(s) resulting from the redemption of Bonds with the Prepayment Amount. In the event that a surety bond or other credit instrument satisfies the reserve requirement or the reserve requirement is under funded at the time of the prepayment no Reserve Fund Credit shall be given.

"Residential Property" means all Assessor's Parcels of Developed Property for which a Building Permit was issued.

"**Special Tax(es)**" means any of the special taxes authorized to be levied by IA No. 1 of CFD No. 2 pursuant to the Act.

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

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

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

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

For each Fiscal Year, beginning with Fiscal Year 2010/2011, each Assessor's Parcel within IA No. 1 of CFD No. 2 shall be classified as Taxable Property or Exempt Property. Furthermore, each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property. Developed Property shall be further classified based on the Building Square Footage of the Unit. The classification of Exempt Property shall take into consideration the Minimum Taxable Acreage as determined pursuant to Section J.

SECTION C MAXIMUM SPECIAL TAXES

1. Developed Property

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

2. Undeveloped Property

The Maximum Special Tax for each Assessor's Parcel classified as Undeveloped Property in each Fiscal Year shall be the amount determined by the application of the Assigned Annual Special Tax.

SECTION D ASSIGNED ANNUAL SPECIAL TAXES

1. Developed Property

The Initial Assigned Annual Special Tax for an Assessor's Parcel of Developed Property in Fiscal Year 2009/2010 shall be the amount specified in Table 1 according to the Building Square Footage of the Unit, subject to increases as described below.

**TABLE 1
INITIAL ASSIGNED ANNUAL SPECIAL TAX FOR
DEVELOPED PROPERTY
FISCAL YEAR 2009/2010**

Building Square Footage	Assigned Annual Special Tax
< 2,600	\$1,285.71 per Unit
2,600 – 3,000	\$1,390.17 per Unit
> 3,000	\$1,520.75 per Unit

Each July 1, commencing July 1, 2010 the Initial Assigned Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased by the Inflator. For Fiscal Years following the Fiscal Year in which the Initial Assigned Annual Special Tax was applied to an Assessor's Parcel, the Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Undeveloped Property

The Assigned Annual Special Tax rate in Fiscal Year 2009/2010 for an Assessor's Parcel classified as Undeveloped Property shall be \$7,826.46 per acre of Acreage.

Each July 1, commencing July 1, 2010 the Assigned Annual Special Tax rate per acre of Acreage of Undeveloped 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 12 months ending December 31 of the prior Fiscal Year.

**SECTION E
BACKUP ANNUAL SPECIAL TAXES**

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property within a Final Subdivision Map in Fiscal Year 2009/2010 or such later Fiscal Year in which such Final Subdivision Map is created shall be the rate per Lot calculated according to the following formula:

$$B = \frac{U \times A}{L}$$

The terms above have the following meanings:

- B = Backup Annual Special Tax per Lot in the applicable Fiscal Year.
- U = Assigned Annual Special Tax per acre of Acreage for Undeveloped Property in the Fiscal Year which the calculation is performed.
- A = Acreage of Taxable Property in such Final Subdivision Map at the time of calculation, as determined by the Board pursuant to Section J.
- L = Lots in the Final Subdivision Map at the time of the calculation.

Each July 1, commencing the July 1 first following the initial calculation of the Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property within a Final Subdivision Map the Backup Annual Special Tax for each Lot within such Final Subdivision Map shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

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 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 area in the Final Subdivision Map prior to the change or modification in the current Fiscal Year.
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 area in the Final Subdivision Map, 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 area of the Final Subdivision Map. Each July 1, commencing the July 1 first following the change or modification to the Final Subdivision Map the amount determined by this Section shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

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

Commencing Fiscal Year 2010/2011, and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

- Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
- Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall Proportionately levy an Annual Special Tax on each Assessor's Parcel of Undeveloped Property in an amount up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.
- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall Proportionately levy an Annual Special Tax on each Assessor's Parcel of Developed Property up to the Maximum Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.

**SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued, may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

SECTION J EXEMPTIONS

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide the Board with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Board shall reasonably determine the Prepayment Amount of such Assessor's Parcel and shall notify such owner of such Prepayment Amount. The Prepayment Amount shall be calculated according to the following formula:

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

P	=	Prepayment Amount
PVT	=	Present Value of Taxes
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records of IA No. 1 of CFD No. 2 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 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.

SECTION H EXCESS ASSIGNED ANNUAL SPECIAL TAXES

In any Fiscal Year in which the Annual Special Taxes collected from Developed Property, pursuant to Step 1 of Section F, exceeds the Minimum Annual Special Tax Requirement, the School District shall use such excess amount above the Minimum Annual Special Tax Requirement for acquisition, construction or financing of school facilities in accordance with the Act, IA No. 1 of CFD No. 2 proceedings and other applicable laws as determined by the Board.

SECTION I TERMINATION OF SPECIAL TAX

Annual Special Taxes shall be levied for a period of thirty-five (35) Fiscal Years after the last series of Bonds have been issued, provided that Annual Special Taxes shall not be levied after Fiscal Year 2050/2051.

The Board shall classify as Exempt Property the following: (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 owned by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels developed or expected to be developed exclusively for non-residential use, including any use directly servicing any non-residential property, such as parking, as reasonably determined by the Board, (vi) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage to less than the Minimum Taxable Acreage of 16.76 acres of Acreage. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Minimum Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Taxable Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

SECTION K APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. In order to be considered sufficient, any notice of appeal must: (i) specifically identify the property by address and Assessor's Parcel Number; (ii) state the amount in dispute and whether it is the whole amount or only a portion of the Special Tax; (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect; (iv) include all documentation, if any, in support of the claim; and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. A representative(s) of IA No. 1 of CFD No. 2 ("Representative") shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) as the Representative's decision shall indicate.

**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 No. 1 of CFD No. 2 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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**FIRST AMENDED
RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 10
OF THE POWAY UNIFIED SCHOOL DISTRICT
(IMPROVEMENT AREA C)**

An Annual Special Tax shall be levied on and collected in Improvement Area C ("IA C") 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 C 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 C 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 Minimum Annual Special Tax Requirement and (ii) to pay for the acquisition, construction, rehabilitation, and improvement of School Facilities.

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

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

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"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 C of CFD No. 10 are pledged.

"Building Permit" means a permit for the construction of one or more Units issued by the City, or another public agency in the event the City no longer issues said permits for the construction of Units within IA C of CFD No. 10. For purposes of this definition, "Building Permit" shall not include permits for construction or installation on commercial/industrial structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation.

"Building Square Footage" or "BSF" means the square footage of 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 Associate 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.

"Maximum Special Tax" means, the Maximum Special Tax determined in accordance with Section C that can be levied by IAC of CFD No. 10 in any Fiscal Year on any Assessor's Parcel.

"Minimum Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service on the Bonds or other indebtedness or other periodic costs on the Bonds, (ii) the Administrative Expenses of IA C 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 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.

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

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 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. Taxable Developed Property

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. Taxable Undeveloped Property

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. Taxable Developed Property

The Assigned Annual Special Tax for each Assessor's Parcel of Taxable Developed Property in Fiscal Year 2002-03 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 2002-03

Zone	Building Square Feet	Assigned Annual Special Tax ¹
1	≤ 1,150	\$1,226.79 per Detached/Attached Unit
1	1,151 – 1,400	\$1,391.73 per Detached/Attached Unit
1	> 1,400	\$1,509.55 per Detached/Attached Unit
2	≤ 1,850	\$977.29 per Detached/Attached Unit
2	1,851 – 2,000	\$1,095.11 per Detached/Attached Unit
2	2,001 – 2,250	\$1,212.92 per Detached/Attached Unit
2	> 2,250	\$1,291.47 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, 2003, 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. Taxable Undeveloped Property

The Assigned Annual Special Tax for an Assessor's Parcel of Taxable Undeveloped Property in Fiscal Year 2002-03 shall be the amount determined by reference to Table 2.

TABLE 2

ASSIGNED ANNUAL SPECIAL TAX FOR TAXABLE UNDEVELOPED PROPERTY FOR FISCAL YEAR 2002-03

Zone	Assigned Annual Special Tax
Zone 1	\$27,919.34 per Acre
Zone 2	\$15,463.99 per Acre

On each July 1, commencing July 1, 2003, 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:

$$B = (Z * A) / L$$

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 Associate 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 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 Board shall levy Annual Special Taxes as follows:

- Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Taxable Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
- Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Undeveloped Property, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel, to satisfy the Minimum Annual Special Tax Requirement.
- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Developed Property, up to the Maximum Special Tax applicable to each such Assessor's Parcel, to satisfy the Minimum Annual Special Tax Requirement.

SECTION G PREPAYMENT OF ANNUAL SPECIAL 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. Prior to Issuance of Bonds

Prior to the issuance of Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued shall be the amount equal to the Gross Prepayment Amount. The Gross Prepayment Amount for the period May 1, 2002 to April 30, 2003 shall be the amount determined by reference to Table 3.

TABLE 3

**GROSS PREPAYMENT AMOUNT FOR
MAY 1, 2002 TO APRIL 30, 2003**

Zone	Building Square Feet	Gross Prepayment Amount ¹
1	≤ 1,150	\$12,971.17 per Detached/Attached Unit
1	1,151 – 1,400	\$14,715.14 per Detached/Attached Unit
1	> 1,400	\$15,960.84 per Detached/Attached Unit
2	≤ 1,850	\$10,333.15 per Detached/Attached Unit
2	1,851 – 2,000	\$11,578.85 per Detached/Attached Unit
2	2,001 – 2,250	\$12,824.55 per Detached/Attached Unit
2	> 2,250	\$13,655.01 per Detached/Attached Unit
¹ No Assigned Annual Special Tax shall apply to Affordable Units or Senior Citizen Units.		

On each May 1, commencing May 1, 2003, 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. Subsequent to Issuance of Bonds

Subsequent to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	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 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 Taxable 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. 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 be 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 C 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 C 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 Bonds in each future Fiscal Year, as reasonably determined by the Associate 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 obligation shall be collected at the issuance of each applicable Building Permit, provided that the 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:

$$PP = P_G * F$$

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 Associate 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 Associate Superintendent shall indicate in the records of IA C 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. Additionally, the notice shall indicate that the Assigned Annual Special Tax and the Backup Annual Special Tax for the Assessor's Parcels has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Tax that may be levied in IA C 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 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-four (34) Fiscal Years after the issuance of Bonds by IA C 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 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, (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 Associate Superintendent, and (vii) 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 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.

TABLE 4

MINIMUM TAXABLE ACREAGE

Zone	Minimum Taxable Acreage
Zone 1	4.14
Zone 2	7.94

**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 Associate Superintendent not later than twelve (12) months after having paid the Special Tax that is disputed. The Associate 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 Associate 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 Associate 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 C 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.

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

An Annual Special Tax shall be levied on and collected in Improvement Area D ("IA D") 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 D 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 D 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 D 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 D of CFD No. 10 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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"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 D 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.

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"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.

"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 D of CFD No. 10 under the Act.

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"**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.

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; and (iii) each Assessor's Parcel of Undeveloped Property shall be classified as Taxable Undeveloped Property or Exempt Property.

SECTION C MAXIMUM SPECIAL TAX

1. **Taxable Developed Property**

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. **Taxable Undeveloped Property**

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.

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SECTION D ASSIGNED ANNUAL SPECIAL TAXES

1. **Taxable Developed Property**

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	
Building Square Feet	Assigned Annual Special Tax¹
<= 2,700	\$2,099.11 per Detached/Attached Unit
2,701 - 3,100	\$2,287.31 per Detached/Attached Unit
> 3,100	\$2,475.52 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. **Taxable Undeveloped Property**

The Assigned Annual Special Tax for an Assessor's Parcel of Taxable Undeveloped Property in Fiscal Year 2001-02 shall be \$16,533.00 per acre of Acreage. On each July 1, commencing July 1, 2002, the Assigned Annual Special Tax for each Assessor's Parcel of Taxable Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

SECTION E BACKUP ANNUAL SPECIAL 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:

$$B = (ZHA) \cdot L$$

The terms above have the following meanings:

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- 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 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 D 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

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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. Prior to Issuance of Non-School Bonds

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.

TABLE 3

GROSS PREPAYMENT AMOUNT FOR MAY 1, 2001 TO APRIL 30, 2002	
Building Square Feet	Assigned Annual Special Tax ¹
<= 2,700	\$25,176.06 per Detached/Attached Unit
2,701 - 3,100	\$25,176.06 per Detached/Attached Unit
> 3,100	\$27,231.82 per Detached/Attached Unit
1. No Assigned Annual Special Tax shall apply to Affordable Units or Senior Citizen Units.	

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. Subsequent to Issuance of Non-School Bonds

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

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

- 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.
- 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.
- 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."
- 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."

- 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.
- 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.
- Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance."
- 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."
- 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.
- 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 D 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.

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Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Tax that may be levied in IA D 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 obligation shall be collected at the issuance of each applicable building permit, provided that the 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:

$$PP = P_G H F$$

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 D 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.

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Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Tax that may be levied in IA D 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 D 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 to less than 19.67 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 19.67 acres of Acreage 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.

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).

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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 D 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.

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

An Annual Special Tax shall be levied on and collected in Improvement Area E ("IA E") 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 E 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 E 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 E 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 E of CFD No. 10 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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"**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 E 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.

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"**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

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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 E 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 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 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.

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SECTION C MAXIMUM SPECIAL TAX

1. Taxable Developed Property

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. Taxable Undeveloped Property

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. Taxable Developed Property

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 ¹
A	< = 1,850	\$1,429.28 per Detached/Attached Unit
A	> 1,850	\$1,730.41 per Detached/Attached Unit
B	< = 1,250	\$902.30 per Detached/Attached Unit
B	1,251 - 1,550	\$1,256.05 per Detached/Attached Unit
B	> 1,550	\$1,361.45 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.

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2. Taxable Undeveloped Property

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.

TABLE 2

ASSIGNED ANNUAL SPECIAL TAX FOR TAXABLE UNDEVELOPED PROPERTY FOR FISCAL YEAR 2001-02	
Zone	Assigned Annual Special Tax
Zone 1	\$78,049.76 per Acre
Zone 2	\$64,501.50 per Acre

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

**SECTION E
BACKUP ANNUAL SPECIAL 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:

$$B = (Z \ H \ A) \ L$$

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 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

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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 E 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. Prior to Issuance of Non-School Bonds

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.

TABLE 3

GROSS PREPAYMENT AMOUNT FOR MAY 1, 2001 TO APRIL 30, 2002		
Zone	Building Square Feet	Assigned Annual Special Tax ¹
A	< = 1,850	\$15,721.18 per Detached/Attached Unit
A	> 1,850	\$19,033.40 per Detached/Attached Unit
B	< = 1,250	\$14,962.55 per Detached/Attached Unit
B	1,251 - 1,550	\$14,962.55 per Detached/Attached Unit
B	> 1,550	\$14,975.10 per Detached/Attached Unit

1. No Assigned Annual Special Tax shall apply to Affordable Units or Senior Citizen Units.

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. Subsequent to Issuance of Non-School Bonds

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	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

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

- 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.
- 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.
- 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."
- 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."
- 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.
- 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.

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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 E 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 E 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

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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 obligation shall be collected at the issuance of each applicable building permit, provided that the 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:

$$PP = P_G H F$$

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 E 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 E 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 E 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.

TABLE 4

<i>MINIMUM TAXABLE ACREAGE</i>	
Zone	Minimum Taxable Acreage
Zone 1	2.63
Zone 2	2.48

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 E 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.

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RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 11 OF THE POWAY UNIFIED SCHOOL DISTRICT

A Special Tax shall be levied on and collected in Community Facilities District ("CFD") No. 11 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 CFD No. 11, 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 parcel map at the County.

"Act" means the Mello-Roos Community Facilities Act of 1982 as amended, being Chapter 2.5, Division 2 of Title 5 of the 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. 11.

"Annual Special Tax" means the Special Tax levied each Fiscal Year on an Assessor's Parcel as set forth in Section G.

"Assessor's Parcel" means a Lot or parcel of land in CFD No. 11 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 Assessor of the County for purposes of identification.

"Assigned Annual Special Tax" means the Special Tax of that name as set forth in Section D.

"Assigned Unit" means any of up to 106 Units assigned this classification in writing to the Associate Superintendent at the Developer's election at the time the applicable Building Permit is issued provided that each such Unit is an Attached Unit. Under no circumstance may the Developer assign more than 106 Units this classification.

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

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

"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.

"Building Permit" means a permit for the construction of one or more Units, issued by the City, or other public agency in the event the City no longer issues said permits for the construction of Units within CFD No. 11. For purposes of this definition, "Building Permits" shall not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, and utility improvements not intended for human habitation.

"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 that is not an Assigned Unit or 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 recorded 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.

"Developer" means any "Owner" defined as such in the certain School Impact Mitigation and Public Facilities Funding Agreement by and among the School District, Sycamore Estates, LLC, a Delaware limited liability company, Sycamore Estates II, LLC, a Delaware limited liability company, McMillin Montecito 109, LLC, a Delaware limited liability company, Brookfield 6 LLC, a Delaware limited liability company, and Brookfield 8 LLC, a Delaware limited liability company.

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

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

"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 Tables 6, 7, 8 and 9 and adjusted as set forth in Section H.

"Indenture" means the bond indenture, master trust agreement, fiscal agent agreement, or similar document regardless of title, pursuant to which Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds are issued and which establishes the terms and conditions for the payment of applicable bonds as modified, amended and/or supplemented from time to time in accordance with its terms.

"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 CFD No. 11 on any Assessor's Parcel in any Fiscal Year.

"Net Taxable Acres" means the total Acreage of all Taxable Property expected to exist in a given Zone after all Final Subdivision Maps are recorded.

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

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

"Prepayment Ratio" means with respect to an Assessor's Parcel, for each series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds, the ratio of (i) the Annual Special Tax revenue or portion thereof applicable to the Assessor's Parcel at the time each such series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds were issued and which were used in providing the minimum debt service coverage required to issue such series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds, as reasonably determined by the Board, to (ii) the sum of all Annual Special Tax revenue used in providing the minimum debt service coverage required to issue such series of applicable Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds, as reasonably determined by the Board.

"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.

"Regularly Retired Principal" means the principal amount of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds that have been paid as scheduled pursuant to the Indenture under which they were reserved, whether by virtue of maturing principal or regularly scheduled mandatory sinking fund redemptions.

"Residential Property" means all Assessor's Parcels of Developed Property for which a Building Permit was issued for the construction of a Unit.

"Special Tax" means any of the special taxes authorized to be levied in CFD No. 11 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.

"Zone" means the areas identified as a Zone and illustrated in Section N.

"Zone 1" means all property located within the area identified as Zone 1 in Section N, subject to interpretation by the Board.

"Zone 1 Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay (i) annual debt service on all outstanding Zone 1 Bonds, (ii) Administrative Expenses of CFD No. 11 applicable to property within Zone 1, (iii) any costs associated with the release of funds from an escrow account established in association with Zone 1 Bonds, (iv) any amount required to establish or replenish any reserve funds established in association with the Zone 1 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.

"Zone 1 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 within Zone 1 of CFD No. 11 are pledged.

"Zone 2" means all property located within the area identified as Zone 2 in Section N, subject to interpretation by the Board.

"Zone 2 Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay (i) annual debt service on all outstanding Zone 2 Bonds, (ii) Administrative Expenses of CFD No. 11 applicable to property within Zone 2, (iii) any costs associated with the release of funds from an escrow account established in association with Zone 2 Bonds, (iv) any amount required to establish or replenish any reserve funds established in association with the Zone 2 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.

"Zone 2 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 within Zone 2 of CFD No. 11 are pledged.

"Zone 3" means all property located within the area identified as Zone 3 in Section N, subject to interpretation by the Board.

"Zone 3 Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay (i) annual debt service on all outstanding Zone 3 Bonds, (ii) Administrative Expenses of CFD No. 11 applicable to property within Zone 3, (iii) any costs associated with the release of funds from an escrow account established in association with Zone 3 Bonds, (iv) any amount required to establish or replenish any reserve funds established in association with the Zone 3 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.

"**Zone 3 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 within Zone 3 of CFD No. 11 are pledged.

"**Zone 4**" means all property located within the area identified as Zone 4 in Section N, subject to interpretation by the Board.

"**Zone 4 Annual Special Tax Requirement**" means the amount required in any Fiscal Year to pay (i) annual debt service on all outstanding Zone 4 Bonds, (ii) Administrative Expenses of CFD No. 11 applicable to property within Zone 4, (iii) any costs associated with the release of funds from an escrow account established in association with Zone 4 Bonds, (iv) any amount required to establish or replenish any reserve funds established in association with the Zone 4 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.

"**Zone 4 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 within Zone 4 of CFD No. 11 are pledged.

**SECTION B
ASSIGNMENT OF ASSESSOR'S PARCELS**

For each Fiscal Year, beginning with Fiscal Year 2004-05, each Assessor's Parcel in CFD No. 11 shall be assigned to a Zone. Each Assessor's Parcel in a Zone shall be classified as Taxable Property or Exempt Property taking into consideration minimum Net Taxable Acreage as set forth in Section J. Each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property and each Assessor's Parcel of Developed Property shall be classified according to Unit type.

**SECTION C
MAXIMUM SPECIAL TAX**

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax for such Zone or (ii) the Backup Annual Special Tax for a given Final Subdivision Map.

2. Undeveloped Property

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

**SECTION D
ASSIGNED ANNUAL SPECIAL TAXES**

1. Developed Property

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2004-05 shall be the amount determined by reference to Tables 1, 2, 3, or 4 according to the Zone in which the Assessors Parcel is located and the Unit type.

TABLE 1

**ASSIGNED ANNUAL SPECIAL TAX
FOR DEVELOPED PROPERTY WITHIN ZONE 1
FISCAL YEAR 2004-05**

Unit Type	Assigned Annual Special Tax
Attached Unit / Detached Unit	\$2,019.35
Assigned Unit	\$0.00

TABLE 2

**ASSIGNED ANNUAL SPECIAL TAX
FOR DEVELOPED PROPERTY WITHIN ZONE 2
FISCAL YEAR 2004-05**

Unit Type	Assigned Annual Special Tax
Attached Unit / Detached Unit	\$2,128.74
Assigned Unit	\$0.00

TABLE 3

**ASSIGNED ANNUAL SPECIAL TAX
FOR DEVELOPED PROPERTY WITHIN ZONE 3
FISCAL YEAR 2004-05**

Unit Type	Assigned Annual Special Tax
Attached Unit / Detached Unit	\$2,113.19
Assigned Unit	\$0.00

TABLE 4

**ASSIGNED ANNUAL SPECIAL TAX
FOR DEVELOPED PROPERTY WITHIN ZONE 4
FISCAL YEAR 2004-05**

Unit Type	Assigned Annual Special Tax
Attached Unit / Detached Unit	\$2,019.35
Assigned Unit	\$0.00

Each July 1, commencing July 1, 2005, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property in each Zone shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

2. Undeveloped Property

The Assigned Annual Special Tax per acre of Acreage for an Assessor's Parcel of Undeveloped Property within a particular Zone for Fiscal Year 2004-05 shall be determined by reference to Table 5.

TABLE 5

**ASSIGNED ANNUAL SPECIAL TAX
FOR UNDEVELOPED PROPERTY
FISCAL YEAR 2004-05**

Zone	Assigned Annual Special Tax
1	\$9,947.69 per acre
2	\$4,829.16 per acre
3	\$4,713.79 per acre
4	\$9,947.69 per acre

Each July 1, commencing July 1, 2005, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Undeveloped Property in each Zone shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

**SECTION F
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:

$$B = (Z \times A) / L$$

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 Undeveloped Property for the applicable Zone for the applicable Fiscal Year
A = Acreage of Developed Property expected to exist in the applicable Final Subdivision Map at build-out, as determined by the Associate Superintendent pursuant to Section K
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 G
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX**

Zone 1

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in Zone 1 of CFD No. 11 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 is less than the Zone 1 Annual Special Tax Requirement, then an Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Zone 1 Annual Special Tax Requirement.

Third: If the sum of the amounts levied on Assessor's Parcels in the first and second steps is less than the Zone 1 Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Zone 1 Annual Special Tax Requirement.

Zone 2

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in Zone 2 of CFD No. 11 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 is less than the Zone 2 Annual Special Tax Requirement, then an Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Zone 2 Annual Special Tax Requirement.

Third: If the sum of the amounts levied on Assessor's Parcels in the first and second steps is less than the Zone 2 Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Zone 2 Annual Special Tax Requirement.

Zone 3

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in Zone 3 of CFD No. 11 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 is less than the Zone 3 Annual Special Tax Requirement, then an Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Zone 3 Annual Special Tax Requirement.

Third: If the sum of the amounts levied on Assessor's Parcels in the first and second steps is less than the Zone 3 Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Zone 3 Annual Special Tax Requirement.

Zone 4

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in Zone 4 of CFD No. 11 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 is less than the Zone 4 Annual Special Tax Requirement, then an Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Zone 4 Annual Special Tax Requirement.

Third: If the sum of the amounts levied on Assessor's Parcels in the first and second steps is less than the Zone 4 Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Zone 4 Annual Special Tax Requirement.

SECTION H 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. 11 with written notice of intent to prepay. Within 30 days of receipt of such written notice, the Board 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 Tax Prepayment Amount, a calculation shall be performed to determine the amount of Zone 1 Bond, Zone 2 Bond, Zone 3 Bond or Zone 4 Bond proceeds that are allocable to the Assessor's Parcel for which the Annual Special obligation is to be prepaid, if any. For purposes of this, calculation Zone 1 Bond, Zone 2 Bond, Zone 3 Bond or Zone 4 Bond proceeds shall equal the par amount of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds. For each series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds proceeds of such series shall be allocated to each Assessor's Parcel in an amount equal to the Zone 1 Bond, Zone 2 Bond, Zone 3 Bond or Zone 4 Bond proceeds times the Prepayment Ratio applicable to such Assessor's Parcel for such series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds. For each series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds, an amount of Regularly Retired Principal shall also be allocated to each Assessor's Parcel to be calculated pursuant to Section H.3E. If, after such allocations, the amount of (i) Zone 1 Bond, Zone 2 Bond, Zone 3 Bond or Zone 4 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 (ii) the sum of all the Gross Prepayment Amounts applicable to

such Assessor's Parcel pursuant to Section H.2., then the Prepayment Amount for such Assessor's Parcel shall be calculated pursuant to Tables 6,7,8 or 9 of Section H.2. Otherwise, the Prepayment Amount shall be calculated pursuant to Section H.3.

2. **Prepayment Amount for Assessor's Parcel with Allocation of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds Less than Applicable Gross Prepayment Amounts**

The Prepayment Amount for each Assessor's Parcel for which the Prepayment Amount is to be calculated pursuant to this Section H.2. shall be calculated by (i) counting all the Units of each Unit type applicable to such Assessor's Parcel, (ii) multiplying the sum of the Units for each Unit type for such Assessor's Parcel by the applicable Gross Prepayment Amount per Unit for the Zone in which such Assessor's Parcel is located as set forth in Table 6,7, 8 or 9, and (iii) adding all the products derived from the immediately preceding step. This sum is the Prepayment Amount for the Assessor's Parcel calculated pursuant to H.2. The Gross Prepayment Amounts shall be determined by reference to Tables 6, 7, 8 or 9.

TABLE 6

**PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05
FOR PROPERTY WITHIN ZONE 1**

Unit Type	Gross Prepayment Amount
Attached Unit/Detached Unit	\$19,484.84 per Unit
Assigned Unit	\$0.00 per Unit

TABLE 7

**PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05
FOR PROPERTY WITHIN ZONE 2**

Unit Type	Gross Prepayment Amount
Attached Unit/Detached Unit	\$21,106.97 per Unit
Assigned Unit	\$0.00 per Unit

TABLE 8

**PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05
FOR PROPERTY WITHIN ZONE 3**

Unit Type	Gross Prepayment Amount
Attached Unit/Detached Unit	\$21,133.13 per Unit
Assigned Unit	\$0.00 per Unit

TABLE 9

**PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05
FOR PROPERTY WITHIN ZONE 4**

Unit Type	Gross Prepayment Amount
Attached Unit/Detached Unit	\$19,484.84 per Unit
Assigned Unit	\$0.00 per Unit

3. **Prepayment Amount for Assessor's Parcel with Allocation of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds Equal to or Greater than Applicable Gross Prepayment Amounts**

The Prepayment Amount for each Assessor's Parcel for which the Prepayment Amount is to be calculated pursuant to this Section H.3 shall be the amount calculated as shown below.

Zone 1 Bond, Zone 2 Bond, Zone 3 Bond or Zone 4 Bond proceeds allocated to Assessor's Parcel pursuant to Section H.1
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 follows:

A. Redemption Premium

The Redemption Premium is calculated by multiplying (i) the principal amount of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds to be redeemed with the proceeds of the Prepayment Amount by (ii) the applicable redemption premium, if any, on the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds to be redeemed.

B. Defeasance

The Defeasance is the amount needed to pay interest on the portion of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds to be

redeemed with the proceeds of the Prepayment Amount until the earliest call date of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 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 Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds to be redeemed with the Prepayment Amount. Such amount of interest earnings will be the amount reasonably estimated by the Board.

C. Prepayment Fees and Expenses

The Prepayment Fees and Expenses are the costs of the computation of the Prepayment Amount and an allocable portion of the costs of redeeming Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds and recording any notices to evidence the prepayment and the redemption, as calculated reasonably by the Board.

D. Reserve Fund Credit

The Reserve Fund credit, if any, shall be calculated as the sum of (i) the reduction in the applicable reserve fund requirement resulting from the redemption of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds with the Prepayment Amount, plus (ii) the reduction in the applicable reserve fund requirement 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 Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds times the applicable Prepayment Ratio for each such series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 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 Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds times the applicable Prepayment Ratio for each such series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds.

E. Regularly Retired Principal

The Regularly Retired Principal of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds times the applicable Prepayment Ratio for each such series of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds.

F. Partial Prepayment Credit

Partial prepayments of the Annual Special Tax obligation occurring prior to the issuance of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds will be credited in full. Partial prepayments of the Annual Special Tax obligation occurring subsequent to the issuance of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds will be credited in an amount equal to the greatest amount of principal of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 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 Board shall reasonably indicate in the records of CFD No. 11 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 30 days of receipt of such prepayment of Annual Special Taxes, to indicate reasonably the prepayment of Annual Special Taxes 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 shall be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property within the Zone in which such Assessor's Parcel is located both prior to and after the proposed prepayment, net of an allocable portion of Administrative Expenses, is at least 1.1 times the annual debt service in each Fiscal Year on all outstanding Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds and such prepayment will not impair the security of all outstanding Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

SECTION I PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

Prior to the issuance of the first Building Permit for the construction of a production Unit on a Lot within a Final Subdivision Map, the owner of no less than all of the property within such Final Subdivision Map may elect to prepay any portion of the applicable Annual Special Tax obligation for all of the Assessor's Parcels within such Final Subdivision Map. The owner of any Assessor's Parcel who desires such partial prepayment shall notify the Board of (i) such owner's intent to partially prepay the Annual Special Tax obligation and (ii) the percentage of the Annual Special Tax obligation to be prepaid. The partial prepayment of each Annual Special Tax obligation shall be collected at the issuance of each applicable Building Permit, provided that the Annual Special Tax obligation 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 H
 F = the percentage of the Annual Special Tax obligation which the owner of the Assessor's Parcel is partially prepaying.

With respect to any Assessor's Parcel's Annual Special Tax obligation that is partially prepaid, the Board shall indicate in the records of CFD No. 11 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 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. Additionally, the notice shall indicate that the Assigned Annual Special Tax and the Backup Annual Special Tax and for the Assessor's Parcels has been reduced by an amount equal to the percentage, which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Tax that may be levied in CFD No. 11, net of an allocable portion of Administrative Expenses, is at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds.

SECTION J TERMINATION OF SPECIAL TAX

Annual Special Taxes of CFD No. 11 shall be levied within Zone 1, Zone 2 and Zone 3 for a period of thirty (30) Fiscal Years after the last series of Bonds have been issued for the applicable Zone. Annual Special Taxes of CFD No. 11 shall be levied within Zone 4 for a period of thirty (30) Fiscal Years after the issuance of the last Building Permit for a Lot within Zone 4. Annual Special Taxes shall not be levied in any Zone after Fiscal Year 2050-51.

SECTION K EXEMPTIONS

Zones 1, 2 and 3

The Associate Superintendent shall classify as Exempt Property: (i) Assessor's Parcels owned by or irrevocably offered to 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 56.23 Net Taxable Acres in Zone 1, 92.57 Net Taxable Acres in Zone 2, and 152.87 Net Taxable Acres in Zone 3. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 56.23 Net Taxable Acres in Zone 1, 92.57 Net Taxable Acres in Zone 2, and 152.87 Net

Taxable Acres in Zone 3 will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

Zone 4

The Associate Superintendent shall classify as Exempt Property: (i) Assessor's Parcels owned by or irrevocably offered to 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 homeowner's association, (v) 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 (iv) Assessor's Parcel for which a Final Subdivision Map has not been recorded.

SECTION L 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 M 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. 11 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

SECTION N MAP OF ZONES

(Under separate cover)

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**RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA A OF
COMMUNITY FACILITIES DISTRICT NO. 11
OF THE POWAY UNIFIED SCHOOL DISTRICT**

A Special Tax shall be levied on and collected in Improvement Area ("IA") A of Community Facilities District ("CFD") No. 11 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. 11, 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 parcel map at the County.

"Act" means the Mello-Roos Community Facilities Act of 1982 as amended, being Chapter 2.5, Division 2 of Title 5 of the 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. 11.

"Annual Special Tax" means the Special Tax levied each Fiscal Year on an Assessor's Parcel as set forth in Section F.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) annual debt service on all outstanding Bonds, (ii) Administrative Expenses of IA A of CFD No. 11, (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. 11 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 Assessor of the County for purposes of identification.

"Assigned Annual Special Tax" means the Special Tax of that name as set forth in Section D.

"Assigned Unit" means any Unit classified as a Assigned Unit in accordance with the Rate and Method of Apportionment for CFD No. 11 of the School District.

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

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

"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. 11 are pledged.

"Building Permit" means a permit for the construction of one or more Units, issued by the City, or other public agency in the event the City no longer issues said permits for the construction of Units within IA A of CFD No. 11. For purposes of this definition, "Building Permits" shall not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, and utility improvements not intended for human habitation.

"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.

"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 recorded 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 individual Lots, recorded in the Office of the Recorder of the County.

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

"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. 11 on any Assessor's Parcel in any Fiscal Year.

"**Net Taxable Acres**" means the total Acreage of all Taxable Property expected to exist in IA A of CFD No. 11 after all Final Subdivision Maps are recorded.

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

"**Special Tax**" means any of the special taxes authorized to be levied in IA A of CFD No. 11 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.

SECTION B ASSIGNMENT OF ASSESSOR'S PARCELS

For each Fiscal Year, beginning with Fiscal Year 2004-05, each Assessor's Parcel shall be classified as Taxable Property or Exempt Property taking into consideration the minimum Net Taxable Acres as set forth in Section J. Each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property and each Assessor's Parcel of Developed Property shall be classified according to its Building Square Footage.

SECTION C MAXIMUM SPECIAL TAX

1. Developed Property

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

2. Undeveloped Property

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. Developed Property

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2004-05 shall be the amount determined by reference to Table 1 according to the Building Square Footage of the Unit.

TABLE 1

**ASSIGNED ANNUAL SPECIAL TAX
FOR DEVELOPED PROPERTY
FISCAL YEAR 2004-05**

Building Square Footage	Assigned Annual Special Tax
≤ 2,650	\$1,877.07
2,651 – 3,000	\$2,076.13
3,001 – 3,250	\$2,182.30
3,251 – 3,500	\$2,401.26
3,501 – 3,750	\$2,726.46
3,751 – 4,000	\$2,898.98
4,001 – 4,250	\$3,031.69
4,251 – 4,500	\$3,164.39
4,501 – 4,750	\$3,234.03
> 4,750	\$3,303.67
* Assigned Units are Exempt Property	

Each July 1, commencing July 1, 2005, 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. Undeveloped Property

The Assigned Annual Special Tax for an Assessor's Parcel of Undeveloped Property for Fiscal Year 2004-05 shall be \$11,945.89 per acre of Acreage.

Each July 1, commencing July 1, 2005, 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:

$$B = (Z \times A) / L$$

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 Undeveloped Property for the applicable Fiscal Year
A	=	Acreage of Developed Property expected to exist in the applicable Final Subdivision Map at build-out, as determined by the Associate 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 Associate Superintendent.
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 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in IA A of CFD No. 11 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 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 is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum 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, may be prepaid in full at the times and under the conditions set forth in this Section G.1, 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. Prepayment Times and Conditions

a. Undeveloped Property

Prior to the issuance of a Building Permit for the construction of a production Unit on a Lot within a Final Subdivision Map, the owner of no less than all the Taxable Property within such Final Subdivision Map may elect in writing to the Associate Superintendent to prepay the Annual Special Tax obligations for all the Assessor's Parcels within such Final Subdivision Map area in full, as calculated in Section G.2. below. The prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of the Building Permit with respect to such Assessor's Parcel.

b. Developed Property

In any Fiscal Year following the first Fiscal Year in which such Assessor's Parcel was classified as Developed Property, the owner of such an Assessor's Parcel may prepay the Annual Special Tax obligation for such Assessor's Parcel, as calculated in Section G.2. below.

2. Prepayment Amount

The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

a. Prior to Issuance of Bonds

The Prepayment Amount for each applicable Assessor's Parcel prior to the issuance of Bonds shall be determined by reference to Table 2.

TABLE 2

PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05

Building Square Feet	Gross Prepayment Amount
≤ 2,650	\$18,385.52
2,651 – 3,000	\$20,335.27
3,001 – 3,250	\$21,375.13
3,251 – 3,500	\$23,519.86
3,501 – 3,750	\$26,705.10
3,751 – 4,000	\$28,394.89
4,001 – 4,250	\$29,694.72
4,251 – 4,500	\$30,994.56
4,501 – 4,750	\$31,676.64
> 4,750	\$32,358.74

Each July 1, commencing July 1, 2005, the Gross Prepayment Amount applicable to an Assessor's Parcel shall be increased by 2.00% of the amount in effect the prior Fiscal Year.

b. Subsequent to Issuance of Bonds

Subsequent to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

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

- For Assessor's Parcels of Developed Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel. For Assessor's Parcels of Undeveloped Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit issued or to be issued for that Assessor's Parcel.

- For each Assessor's Parcel of Developed Property or Undeveloped Property to be prepaid, (a) divide the sum of the Assigned Annual Special Taxes computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board, and (b) divide the sum of Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board.
- The amount determined pursuant to Section G.2.a. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal which is allocable to the applicable Assessor's Parcel, as determined by the Board. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the date of the applicable principal payment.
- Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."
- 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."
- 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.
- 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.
- Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
- 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 requirement, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve fund on the prepayment date. 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 Board shall indicate in the records of IA A of CFD No. 11 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 to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Taxes shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of an Assessor's Parcel, as calculated in Section H.2. below, may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be partially 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, the owner of no less than all the Taxable Property within such Final Subdivision Map 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, as calculated in Section H.2. below. The partial prepayment of each Annual Special Tax obligation shall be collected prior to the issuance of the first Building Permit with respect to each Assessor's Parcel.

2. Partial Prepayment Amount

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

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

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of IA A of CFD No. 11 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. Additionally, the notice shall indicate that the Assigned Annual Special Tax and Backup Annual Special Tax for the Assessor's Parcels has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

SECTION I TERMINATION OF SPECIAL TAX

Annual Special Taxes of IA A of CFD No. 11 shall be levied for a period of thirty (30) Fiscal Years after the last series of Bonds have been issued, provided that Annual Special Taxes shall not be levied after Fiscal Year 2050-51.

SECTION J EXEMPTIONS

The Associate Superintendent shall classify as Exempt Property: (i) Assessor's Parcels owned by or irrevocably offered to 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 for which Building Permits were issued on or before May 1 of the prior Fiscal Year for the construction of Assigned Units, (iv) Assessor's Parcels used exclusively by a homeowners' association, (v) 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 56.23 Net Taxable Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 56.23 Net Taxable Acres will continue to be classified as Developed 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. 11 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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APPENDIX C

ASSESSED VALUE ANALYSIS AND SUMMARY APPRAISAL REPORT

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Stephen G. White, MAI



Real Estate Appraiser

1370 N. BREA BLVD., SUITE 255 · FULLERTON, CALIFORNIA 92635-4173
(714) 738-1595 · FAX (714) 738-4371

October 11, 2012

Poway Unified School District
13626 Twin Peaks Rd.
Poway, CA 92064

Re: CFD No. 2, Imp. Area 1,
CFD No. 10, Imp. Areas C, D & E
CFD No. 11, Imp. Area A/Zone 1 and
Zones 2 & 3

Attn: Sandra G. Burgoyne
Planning Director

**SUMMARY APPRAISAL REPORT &
ASSESSED VALUE ANALYSIS**

COVERING

Poway Unified School District
CFD No. 2, Improvement Area 1
CFD No. 10, Improvement Areas C, D & E
CFD No. 11, Improvement Area A/Zone 1 and Zones 2 & 3
Series 2012 Revenue Refunding Bonds

Dear Ms. Burgoyne:

In accordance with your request, I have completed an appraisal or an assessed value analysis on the taxable properties within the above-referenced Improvement Areas or Zones of Community Facilities District Nos. 2, 10 and 11. The taxable properties to be included are only those categorized as "developed property", which are the parcels for which a building permit was issued as of May 1, 2012.

The properties to be included in the appraisal are located in 11 different tracts or product types of homes, 2 of which have homes under construction and 9 of which are built-out and all or mostly sold-out. These 11 tracts comprise the following:

- CFD No. 2, Imp. Area 1: 1 tract of detached homes with a total of 108 homes
- CFD No. 11, Zone 2: 4 different tracts of detached homes with a total of 207 homes
- CFD No. 11, Zone 3: 6 different tracts of detached homes with a total of 222 homes

DATE OF VALUE:

October 1, 2012

SUBMITTED TO:

Poway Unified School District
13626 Twin Peaks Rd.
Poway, CA 92064

Attn: Sandra G. Burgoyne
Planning Director

The properties to be included in the assessed value analyses are the 8 different tracts or product types of homes, all of which are built-out and sold-out, that comprise the following:

- CFD No. 10, Imp. Area C: 1 tract of 107 detached homes and 1 tract of 84 attached condominiums
- CFD No. 10, Imp. Area D: 1 tract of 142 detached homes
- CFD No. 10, Imp. Area E: 2 different tracts of attached townhomes with a total of 275 homes
- CFD No. 11, Imp. Area A/Zone 1: 3 different tracts of detached homes with a total of 276 homes

DATE OF REPORT:

October 11, 2012

SUBMITTED BY:

Stephen G. White, MAI
1370 N. Brea Blvd., Suite 255
Fullerton, CA 92635

The purpose of the appraisal is to estimate the separate aggregate market values on a mass appraisal basis of the as is condition of the pertinent parcels within the 11 different tracts or product types of homes. The as is condition reflects the status of completed-sold homes (closed builder sales to individual homeowners), and, where applicable, the builder ownership consisting of completed-unsold homes, homes under construction and vacant lots for which a building permit had been issued as of May 1, 2012 but construction is not yet underway.

MS. SANDRA G. BURGOYNE
OCTOBER 11, 2012
PAGE 2

The purpose of the assessed value analysis is to consider the total and the average assessed values, which are as of January 1, 2012, for the pertinent parcels located in the 8 different tracts or product types of homes. In addition, the range and average of the percentage variance from sale prices to assessed value is calculated for homes where a closed sale has occurred since January 1, 2012 or pending sales existed as of the October 1, 2012 date of value. It is noted that the percentage variance is calculated by sale price minus assessed value, divided by assessed value, and the average percent variance is a weighted average.

Appraisal Analysis

Based on the general inspections of the properties and analysis of matters pertinent to value, the following conclusions of market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

<u>Tract/Product Type</u>	<u>No. Lots</u>	<u>Market Value</u>
CFD No. 2, Imp. Area 1:		
Terramar		
<i>Individual Owners:</i>	107	\$79,180,000
<i>Builder Ownership:</i>	1	\$ 740,000
	108	\$79,920,000
CFD No. 11, Zone 2:		
The Warmington Collection		
<i>Individual Owners:</i>	36	\$35,280,000
Calabria		
<i>Individual Owners:</i>	22	\$20,240,000
Serenity		
<i>Individual Owners:</i>	65	\$59,150,000
<i>Builder Ownership:</i>	2	\$ 1,710,000
	67	\$60,860,000
Sanctuary		
<i>Individual Owners:</i>	82	\$86,100,000
Sub-Totals	207	\$202,480,000
CFD No. 11, Zone 3:		
Montoro		
<i>Individual Owners:</i>	26	\$22,100,000
<i>Builder Ownership:</i>	2	\$ 1,700,000
	28	\$23,800,000
Tiburon		
<i>Individual Owners:</i>	53	\$53,010,000
Viscaya		
<i>Individual Owners:</i>	47	\$39,950,000
Scripps Preserve		
<i>Individual Owners:</i>	60	\$61,200,000

MS. SANDRA G. BURGOYNE
OCTOBER 11, 2012
PAGE 3

<u>Tract/Product Type</u>	<u>No. Lots</u>	<u>Market Value</u>
Toll Bros. at StoneBridge		
<i>Individual Owners:</i>	11	\$11,550,000
<i>Builder Ownership:</i>	12	\$ 8,820,000
	23	\$20,370,000
Bellasario		
<i>Builder Ownership:</i>	11	\$ 7,100,000
Sub-Totals	222	\$205,430,000
TOTALS	537	\$487,830,000

(FOUR HUNDRED EIGHTY-SEVEN MILLION
EIGHT HUNDRED THIRTY THOUSAND DOLLARS)

Assessed Value Analysis

The data for the assessed value analysis is summarized in the following table by separate tract or product type within the different Improvement Areas for CFD No. 10 and Improvement Area A/Zone 1 (overlapping) for CFD No. 11:

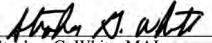
<u>Tract/Product Type</u>	<u>Total A.V.</u>	<u>No. Homes</u>	<u>Average A.V.</u>	<u>No. Sales</u>	<u>Range % Var. Sale Price/A.V.</u>	<u>Avg. % Var. Sale Price/A.V.</u>
CFD No. 10, Imp. Area C:						
San Lorenza	\$50,952,248	107	\$476,189	6	-2.1% to +31.8%	+10.2%
Monaco	\$25,263,126	84	\$300,752	9	-17.5% to +5.9%	-2.0%
	\$76,215,374	191	\$399,033	15	-17.5% to +31.8%	+2.9%
CFD No. 10, Imp. Area D:						
Avalon Point	\$89,914,457	142	\$633,200	5	-18.7% to +5.6%	-1.8%
CFD No. 10, Imp. Area E:						
Cortina	\$45,681,258	152	\$300,535	9	-6.1% to +28.0%	+8.4%
Bellarado	\$48,832,895	123	\$397,015	6	-13.3% to +0.9%	-3.9%
	\$94,514,153	275	\$343,688	15	-13.3% to +28.0%	+3.5%
CFD No. 11, Imp. Area A/ Zone 1:						
Mill Creek	\$68,322,710	108	\$632,618	6	-3.8% to +14.5%	+4.1%
Astoria	\$84,671,366	121	\$699,763	8	-19.1% to +6.7%	-0.3%
Calabria/Serenity	\$42,936,361	47	\$913,540	3	-5.3% to +8.3%	+1.0%
	\$195,930,437	276	\$709,893	17	-19.1% to +14.5%	+1.5%
GRAND TOTALS	\$456,574,421	884	\$516,487	52	-19.1% to +31.8%	+2.2%

Total Indication

<u>Type of Value</u>	<u>No. Homes</u>	<u>Value</u>
Appraised Value	537	\$487,830,000
Assessed Value	<u>884</u>	<u>\$456,574,421</u>
	1,421	\$944,404,421

The following is the balance of this 115-page report which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation analyses and assessed value analyses, and market data from which the conclusions were derived.

Sincerely,


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

SGW:sw
Ref: 12016

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CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- I have made a personal though general/mass inspection of the properties that are the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this Certification, other than data research by my associate, Kirsten Patterson.
- I have not performed a previous appraisal 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.


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. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
13. 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.
14. 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 ANALYSES

The purpose of the appraisal analysis is to estimate the aggregate market value of the as is condition of the pertinent parcels located within the 11 different tracts or product types in CFD No. 2, Improvement Area 1 and CFD No. 11, Zones 2 and 3. The purpose of the assessed value analysis is to consider the total and the average assessed values, which are as of January 1, 2012, for the pertinent parcels located within the 8 different tracts or product types within CFD No. 10, Improvement Areas C, D & E and CFD No. 11, Improvement Area A/Zone 1. In addition, the range and average of the percentage variance from sale prices to assessed value is calculated for homes where a sale has occurred since January 1, 2012. It is intended that this report is to be used by the client, the financing team and others as required as part of the CFD bond issuance.

SCOPE OF THE ANALYSES

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 Summary Appraisal Report/Assessed Value Analysis in conformance with the Uniform Standards of Professional Appraisal Practice and the guidelines of the California Debt and Investment Advisory Commission. This has included a general/mass inspection of the subject properties and an inspection of the general surroundings; review of various maps and documents relating to the properties and the developments which have taken place and are proposed to be constructed; obtaining of pertinent property data on the subject properties from a variety of sources; obtaining of comparable home and bulk lot sales from a variety of sources; and analysis of all of the data to the conclusions of market value on a mass appraisal basis and the Assessed Value Analysis indications of the percentage variance from recent sale prices to the respective assessed values.

DATE OF VALUE

The date of value for this appraisal is October 1, 2012.

PROPERTY RIGHTS APPRAISED

The appraisal portion of the analysis is of the fee simple interest in the pertinent subject properties, subject to the CFD special tax and assessment liens.

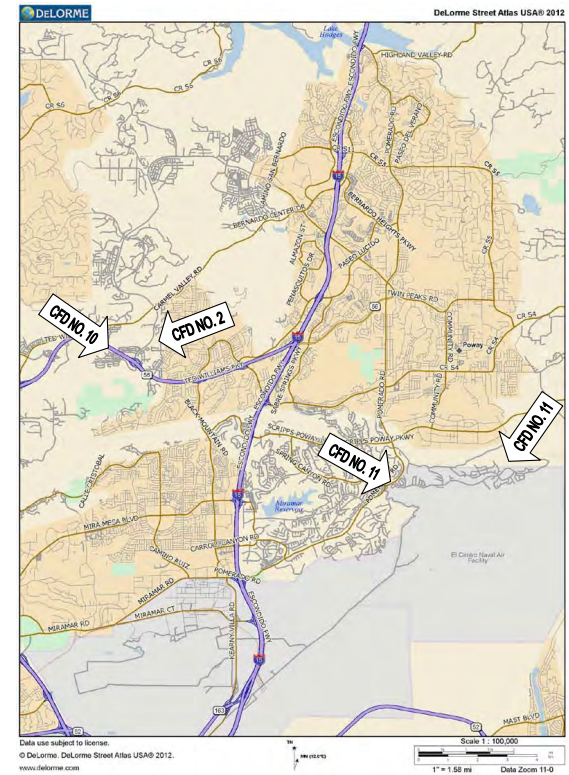
DEFINITION OF MARKET VALUE

The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress. (The Dictionary of Real Estate Appraisal, Fifth Edition)

DEFINITION OF FINISHED LOT

This term describes the condition of residential lots in a single-family subdivision for detached homes in which the lots are fully improved and ready for homes to be built. This reflects that the lots have all development entitlements, infrastructure improvements completed, finish grading completed, all in-tract utilities extended to the property line of each lot, street improvements completed, common area improvements/landscaping (associated with the tract) completed, resource agency permits (if necessary), and all development fees paid, exclusive of building permit fees, in accordance with the conditions of approval of the specific tract map.

LOCATION MAP



INTRODUCTION

LOCATION

The map on the opposite page indicates the approximate location of the three CFDs that are included in this analysis, all of which are located within the City of San Diego. CFD No. 2, Improvement Area 1 is generally located on the easterly side of Camino Del Sur, $\pm\frac{1}{2}$ mile north of the 56 (Ted Williams) Freeway; CFD No. 10, Improvement Areas C, D & E are generally located near the interchange of the 56 (Ted Williams) Freeway and Camino Del Sur; and CFD No. 11, Improvement Area A/Zone 1 and Zones 2 & 3 are generally located easterly of Pomerado Rd. and about a mile south of Scripps Poway Pkwy.

OVERVIEW OF CFD's

CFD No. 2, Improvement Area 1

Improvement Area 1 comprises one built-out tract of 108 detached homes called Terramar. There are 107 homes owned by homeowners and 1 home still owned by the builder, Pardee Homes.

CFD No. 10, Improvement Areas C, D & E

Improvement Area C comprises two built-out and sold-out tracts of homes, including a tract of 107 detached homes called San Lorenza and a tract of 84 attached condominiums called Monaco. Improvement Area D comprises one built-out and sold-out tract of 142 detached homes called Avalon Point. Improvement Area E comprises two built-out and sold-out tracts of attached townhomes, including a tract of 152 townhomes called Cortina and a tract of 123 townhomes called Bellarado.

CFD No. 11, Improvement Area A/Zone 1, Zone 2 & Zone 3

CFD No. 11 comprises the overall planned community of StoneBridge Estates. Improvement Area A/Zone 1 comprises three built-out and sold-out tracts of detached homes, including Mill Creek (109 homes), Astoria (121 homes) and Calabria/Serenity (47 homes). Zone 2 comprises four built-out (one not sold-out) tracts of detached homes, including The Warmington Collection (36 homes), Calabria (22 homes), Serenity (70 homes) and Sanctuary (82 homes). Zone 3 comprises six different tracts of detached homes – four built-out (one not sold-out) tracts including Montoro (28 homes), Tiburon (53 homes), Viscaya (48 homes) and Scripps Preserve (61 homes); and two tracts under construction including Toll Brothers at StoneBridge (104 homes) and Bellasario (47 homes).

CFD NO. 2, IMPROVEMENT AREA 1

MAP OF TERRAMAR



TERRAMAR

PROPERTY DATA

Location

This product type is located along the easterly side of Camino Del Sur from just south of Alpine Ridge Rd. to just north of Fallhaven Rd. and extending easterly to the east side of Golden Elm Ln.

Description of Surroundings

The subject tract is located in a primarily residential area with much development having occurred since the late 1980's, but also with a significant amount of open space remaining in areas farther to the north and west and beyond the 56/Ted Williams Fwy. to the south. Adjacent to the north is the tract called Torrey Glenn which was built in ± 2003 on 6,000 s.f. minimum lots, with homes ranging in size from 2,999 s.f. to 3,985 s.f. To the east are various tracts of homes built in the late 1980's as well as the Deer Canyon Elementary School on Russet Leaf Ln.

Adjacent to the southwest corner of the subject tract is a 1.09-acre site that is improved with Park Terramar which is a two-story affordable housing complex. To the south, extending to the 56 Fwy., is the community of Greystone Torrey Highlands which was built in ± 2003 and comprises three different product types with homes from 2,493 s.f. to 3,646 s.f. In addition, there is the Mesa Verde Middle School campus. Across Camino Del Sur to the west is the ± 65 -acre Westview High School campus. South of the high school is a small commercial center at the northwest corner of Camino Del Sur and Torrey Meadows Dr., and to the north of the high school is an area of open space.

Record Owner/Ownership History

As of the October 1, 2012 date of value, all of the homes in this product type were completed and all but one home had sold to individual homeowners. The sales of the 107 completed homes from Pardee Homes to the homeowners closed from May 26, 2010 through September 25, 2012 at indicated prices ranging from \$661,000 to \$878,500. The remaining Plan 1 model home is in escrow and due to close at the beginning of November. Thus far there have been no resales.

Legal Description

The 108 lots comprising this product type are described as Lots 1 to 108 of Penasquitos West, in the City of San Diego, County of San Diego, according to Map No. 15695, filed in the office of the County Recorder on June 23, 2008.

PROPERTY DATA, Continuing

Assessor Data

The 108 lots comprise Assessor Parcel Nos. 306-430-01 to 55 and 306-431-01 to 53. The current assessed values range from \$116,273 to \$878,100 with the low end indicating vacant lots and the high end indicating completed homes. The tax rate area is 08-190 which indicates a current tax rate of 1.02215% excluding special taxes, or an effective tax rate of approximately 1.5% to 1.6% including special taxes for this CFD.

No. of Lots/Lot Sizes

This product type comprises a total of 108 single-family residential lots. Per Assessor data, the actual lot sizes range from 5,271 s.f. to 17,938 s.f., or an average of 7,510 s.f.

Streets and Access

The primary access points to Terramar are from Fallhaven Rd. and Alpine Ridge Rd. at Camino Del Sur which runs north/south along the west side of the tract. Camino Del Sur is a primary arterial through this area extending southerly to just beyond the 56/Ted Williams Fwy. and curving northwesterly beyond Carmel Valley Rd. to the north. It is improved with four travel lanes, bike lanes, landscaped center median, curb, gutter and sidewalk with landscaped parkway. The intersection with Fallhaven Rd. is fully signalized while the intersection with Alpine Ridge Rd. provides access only to northbound traffic on Camino Del Sur due to the raised center median.

The other in-tract streets include Silver Ivy Ln., Orange Haven Pl., Golden Elm Ln., and Crimson Cedar Pl. All of these streets have been fully constructed with final lift complete.

It is noted that there are also two pedestrian access points to the tract at the northerly termination of Fallhaven Rd. and the easterly termination of Crimson Cedar Pl.

Utilities

All utilities have been installed in the in-tract streets as part of the development of the neighborhood, and are provided as follows:

Water & Sewer:	City of San Diego
Electric & Gas:	San Diego Gas & Electric
Telephone:	AT&T
Cable:	Time Warner

PROPERTY DATA, Continuing

Zoning/General Plan/Approvals

The City of San Diego zoning designation is RS-1-14 which designates Residential – Single Unit zone with 5,000 s.f. minimum lots, and the General Plan designation is Residential. The specific approvals for the single-family residential development are indicated by the approved Map No. 15695 that was recorded on June 23, 2008.

Topography/Views

The overall neighborhood is slightly above grade of Camino Del Sur, and then with a gradual slope up to the east, resulting in side and/or rear slopes to many of the lots. There are no significant views to any of the homes in the neighborhood, though the homes along the easterly part of the neighborhood have minor territorial views to the west.

Drainage/Flood Hazard

Onsite or in-tract drainage is in gutters and underground facilities that have been constructed as part of the development of the neighborhood, and ultimately into offsite facilities as part of the master-planned drainage system for this area. Per FEMA Flood Insurance Rate Map No. 060295 1334G, dated 5/16/12, the overall subject tract is located in Zone X, which indicates areas outside of the 100-year floodplain.

Soil/Geologic/Seismic/Environmental Conditions

No soils, geotechnical or environmental reports have been reviewed on the overall subject tract. It is noted that the subject site is not located in an Alquist-Priolo special studies zone. In addition, it is noted that this appraisal has assumed that any required mitigation for soil, geologic or environmental conditions was completed as part of the land development work for the overall tract, and that there are no other of these conditions that would negatively impact the continued use or valuation of the completed homes.

Existing Development

These 108 lots have been developed with a product type of homes called Terramar at Torrey Highlands. As of the October 1, 2012 date of value all of the homes were complete and all but one remaining home had been sold and closed to individual homeowners.

There are three floor plans of homes, with builder information as follows:

Plan 1: 2,597 to 2,811 s.f., two story, with 4 to 5 bedrooms, 3 baths, optional den, great room, formal dining room, nook and a 2- or 3-car tandem garage.

PROPERTY DATA, Continuing

Plan 2: 2,828 to 3,109 s.f., two story, with 4 to 5 bedrooms, 3 to 3½ baths, optional loft, den, family room, living room, dining area and a 2-car or 3-car tandem garage.

Plan 3: 3,121 to 3,277 s.f., two story, with 5 to 6 bedrooms, 3 to 3½ baths, bonus room, family room, living/dining room, nook and 2-car or 3-car tandem garage.

Per building permit data, the average size of the 107 completed-sold homes is 2,914 s.f. and the size of the completed-unsold home is 2,585 s.f.

Highest & Best Use

The term highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Furthermore, the highest and best use of land or a site as though vacant is defined as among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination.

In terms of legal permissibility, the existing residential development on the subject lots is permitted by the zoning as well as by the entitlements represented by the recorded tract map. In terms of physical possibility, the existing residential development was possible due to the lots that were in finished condition. In terms of the financial feasibility and maximum productivity, it is noted that at the appropriate price points there has been good recent sales activity in the subject tract and other nearby tracts of homes.

In summary, I have concluded that the highest and best use for the subject properties is as improved for the completed homes.

VALUATION

Method of Analysis

The analysis of the 107 completed-sold homes is of the aggregate value and on a mass appraisal basis by means of the Sales Comparison Approach. Primary consideration is given to the most recent sales in the subject Terramar tract, and secondary consideration is given to current home pricing in other nearby new-home tracts as well as recent resales in other nearby existing tracts of homes. Then, the 1 completed-unsold home that is still builder-owned is considered separately.

VALUATION, Continuing

Analysis of Completed-Sold Homes

These are the 107 homes for which the builder sales closed from May 26, 2010 through September 25, 2012. The indicated range of sale prices for all 107 homes was \$661,000 to \$878,500 or an average of ±\$782,000, reflecting an average home size of 2,914 s.f. If considering the 37 sales that have taken place over the past year (since October 1, 2011), the indicated price range is unchanged but the average indication is slightly lower at ±\$777,000 and for a similar average size of 2,920 s.f.

However, if considering only the 23 sales that have closed in 2012, the indicated price range is \$661,000 to \$865,500 with a lower average of ±\$762,000, but a much larger average home size of 2,978 s.f. Furthermore, if considering only the 17 sales that have closed over the past 6 months (since April 1), the price range is \$661,000 to \$830,000 with an average of ±\$748,000, and for an average size of 2,963 s.f.

Thus, it is evident that the most recent prices are lower than the prices from 2010 through early 2012. Considering the average home sizes relative to the average of 2,914 s.f. for all 107 homes, the indications at \$762,000 to \$782,000 support far upper limits as an average for all 107 homes at current date. In addition, the indication at \$748,000 supports a closer but still firm upper limit as an average for the 107 homes, due to the larger average home size from those 17 sales.

As previously indicated, there have been no resales of homes in the subject tract and there are no current listings.

As to home pricing in other new-home tracts that are currently under construction in the nearby area, the following pertains to two pertinent tracts:

Latitude (Pulte Homes): This will be a tract of 44 homes that is located on the north side of Torrey Meadows Dr. at Sunshine Path, which is less than a mile westerly of the subject tract. The homes range in size from 2,606 s.f. to 2,977 s.f., with base pricing ranging from \$738,880 to \$769,880, which indicates an average of ±\$755,000 for an average home size of 2,784 s.f. This tract is considered to be slightly more desirable than the subject tract which is more than offsetting to the smaller average home size. Thus, the indication at \$755,000 supports a close but firm upper limit as an average for the subject 107 homes.

Maricel at Torrey Highlands (Davidson Communities): This will be a gated tract of 41 homes that is located on the south side of Carmel Valley Rd. at Country Villas Pl., which is less than a mile northwest of the subject tract. The homes range in size from 2,793 s.f. to 3,283 s.f., with base pricing ranging from \$755,900 to \$801,900, which indicates an average of ±\$781,000 for an average home size of 3,058 s.f. This tract is also considered to be superior to the subject tract, including the gated entry, as well as reflecting a larger average home size. Thus, the indication at \$781,000 supports a far upper limit as an average for the subject 107 homes.

Lastly, a search was made for recent sales of other reasonably similar homes from nearby areas to the subject tract. Pertinent sales have been considered from the

VALUATION, Continuing

Montea and Cordero tracts which are to the south of the subject, and all of these were standard sales. The sales are shown in the following table, and are ordered by date of sale:

No.	Address	Rec. Date	Price	Home Size	Year Built	Lot Size	Remarks
1	13326 Trailhead Pl.	Escrow	±\$780,000	3,300	2003	5,500	Cordero; good condition; standard sale
2	8250 Torrey Gardens Pl.	9/28/12	\$668,000	2,479	2003	5,127	Montea; good condition; standard sale
3	8206 Torrey Gardens Pl.	9/26/12	\$725,000	3,080	2003	5,591	Cordero; good condition; standard sale
4	13267 Torrey Crest Ct.	9/21/12	\$730,000	2,479	2003	8,168	Montea; good condition; standard sale
5	8239 Stage Coach Pl.	9/7/12	\$730,000	2,854	2003	5,100	Montea; good condition; standard sale
6	8285 Stage Coach Pl.	8/31/12	\$718,000	2,854	2003	5,100	Montea; good condition; standard sale
7	8247 Stage Coach Pl.	7/26/12	\$755,000	2,995	2002	5,611	Montea; good condition; standard sale
8	13260 Trailhead Pl.	7/13/12	\$762,000	2,995	2002	6,859	Montea; good condition; standard sale
9	13290 Trailhead Pl.	7/13/12	\$725,000	3,080	2003	6,000	Cordero; good condition; standard sale
10	13309 Deer Canyon Pl.	6/29/12	\$730,000	3,080	2003	6,212	Cordero; good condition; standard sale
11	13314 Deer Canyon Pl.	4/30/12	\$753,000	3,304	2003	8,426	Cordero; good condition; standard sale
12	13260 Torrey Crest Ct.	4/27/12	<u>\$725,000</u>	<u>2,890</u>	2003	7,528	Montea; good condition; standard sale
			±\$733,000	2,949	(Avg.)		

It is noted that the average home size of 2,949 s.f. is slightly larger than the average of 2,914 s.f. for the 107 subject homes. However, it is also noted that these sales consist of 9 to 10-year old homes in contrast to the subject homes which range from new to 2½ years old, and this is a more than offsetting factor to the average home size. Thus, the indication at an average of \$733,000 supports a close but firm lower limit as an average for the 107 subject homes.

In summary, the indications of average value for the 107 completed-sold homes support a close but firm lower limit at \$733,000, close but firm upper limits at \$748,000 and \$755,000, and firm to far upper limits from \$762,000 to \$782,000. The conclusion is an average value of \$740,000 for the 107 completed-sold homes.

Analysis of Completed-Unsold Home

This is the former Plan 1 model home that is still owned by the builder, and the conversion work from model home to being ready for sale to homeowner is nearly completed. As previously indicated, this home is in escrow and due to close in early November, but the price was not disclosed. However, a prior listing price per MLS

VALUATION, Continuing

records was \$788,800. It is noted that the size of 2,585 s.f. is much smaller than the average size of 2,914 s.f. for the completed-sold homes, but this is more than offset by the far upgraded condition due to being a former model home. For conservative valuation purposes, a value of \$740,000 has been concluded on for this completed-unsold home.

Conclusion of Value

Based on the foregoing, the value indication for the subject tract in its as is condition, is calculated as follows:

107 completed-sold homes @ \$740,000 =	\$79,180,000
1 completed-unsold home @ \$740,000 =	<u>\$ 740,000</u>

Value Indication, As Is: \$79,920,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Terramar tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$79,920,000

(SEVENTY-NINE MILLION NINE HUNDRED TWENTY THOUSAND DOLLARS)

As noted above, the allocation of the total value conclusion to the individual owners (completed-sold homes) is \$79,180,000 and the allocation to the builder ownership (completed-unsold home) is \$740,000.

OVERVIEW OF STONEBRIDGE ESTATES

LOCATION

The master-planned community of StoneBridge Estates lies along both sides of Stonebridge Pkwy., extending for ±2 miles easterly from Pomerado Rd., in the City of San Diego. This location is in the far northeast part of the City of San Diego, about 3½ miles east of the I-15 Freeway. Within ¼ mile to the north is the south end of the City of Poway, and nearly adjacent to the south is the U.S. Marine Corps Air Station Miramar.

SURROUNDINGS

To the north the land slopes down into Beeler Canyon which is a sparsely developed rural residential area, as well as including a wildlife corridor that extends east and then northeast. Farther north the land slopes up to a higher mesa area, on which is the 700-acre South Poway Business Park including some retail uses. To the east and west of the business park is mostly undeveloped land. To the west of StoneBridge Estates is a large single-family residential area that extends to the northwest, west and southwest.

To the south is the north end of the U.S. Marine Corps Air Station Miramar which extends for many miles to the south. The land adjacent to StoneBridge Estates is mostly undeveloped and hilly, with some nearby communications and electrical facilities. To the east of StoneBridge Estates is a large area of undeveloped and hilly land. Nearby to the east is the Sycamore Canyon County Open Space Preserve, to the northeast is unincorporated County area, and to the southeast is part of the Miramar Air Station.

STREETS AND ACCESS

Access to StoneBridge Estates is by Stonebridge Pkwy. that extends easterly from Pomerado Rd. which is an arterial along the westerly side of the subject community that extends to the north and to the south/southwest. The intersection of Pomerado Rd. and Stonebridge Pkwy. is signalized.

Stonebridge Pkwy. is a two-lane roadway with various center turn lanes that extends easterly through the entire community and terminates at the easterly end of Zone 3. It is fully paved and improved, including landscaped medians and parkways. All of the tracts of homes in the community have primary access off of this street.

UTILITIES

The utilities for the community are provided as follows:

Water & Sewer:	City of San Diego
Gas & Electric:	San Diego Gas & Electric

CFD NO. 11, ZONE 2

UTILITIES, Continuing

Telephone: AT&T
Cable: Time Warner and Cox

ZONING/APPROVALS

The overall community is covered by the Rancho Encantada Precise Plan, and together with Planned Residential Development Permits and Vesting Tentative Tract Maps were approved by the City in August 2001. The final tract maps covering Zone 2 recorded in 2004 and the final tract maps covering Zone 3 recorded in 2005.

DRAINAGE/FLOOD HAZARD

Drainage is within master-planned facilities that were constructed throughout the community. Per FEMA Flood Map Panel Nos. 060295 1366G and 1367G, dated May 16, 2012, the subject properties are located in Zone X, consisting of areas determined to be outside of the 100-year floodplain and not within a Special Flood Hazard Area.

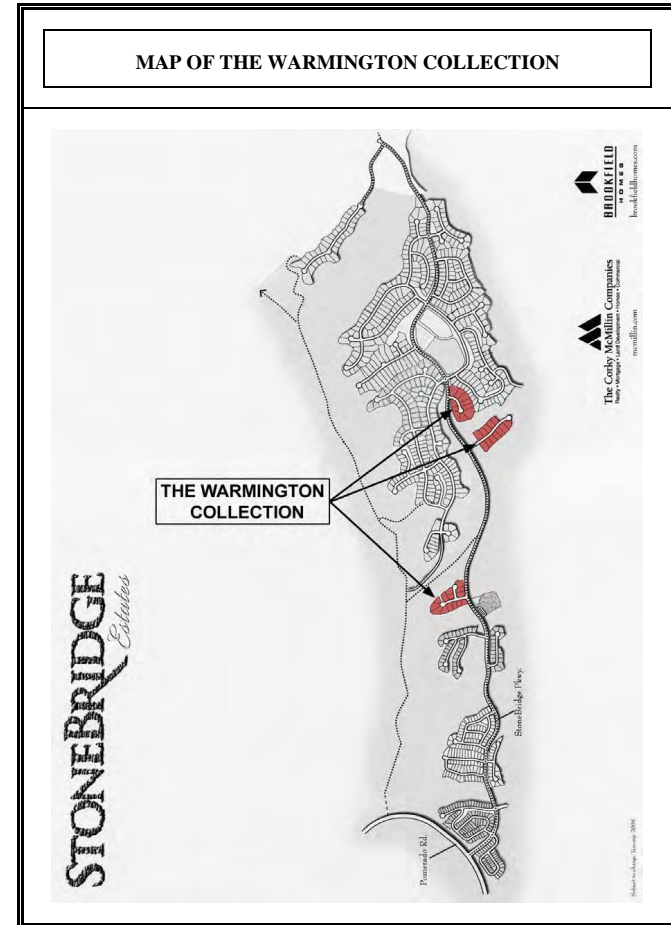
SOIL/GEOLOGIC/SEISMIC/ENVIRONMENTAL CONDITIONS

Soils and environmental studies were completed by GEOCON, Inc. and P&D Environmental Services as part of the original development of this community, and essentially these studies concluded that there was no evidence of polluted soils or other adverse conditions in or on the land. It is also noted that the subject community is not located within an Alquist Priolo Earthquake Fault Zone.

This appraisal has assumed that, for all of the subject lots, all necessary grading and compacting was properly completed by the master developer and builders; that there are no abnormal soil or geological conditions that would affect the development of the lots as completed and planned; that all necessary environmental permits and approvals have been obtained for the single family residential development as completed and planned; and that there are no other environmental conditions, including endangered species or habitat, watercourses or wetlands that would have a negative effect on the existing and planned development. Furthermore, it has been assumed that all required mitigation measures have taken place.

HIGHEST AND BEST USE

This discussion is the same as for the previous Terramar tract (CFD No. 2, Improvement Area 1), with the conclusion being that the highest and best use of the various subject tracts or product types in Zones 2 and 3 of StoneBridge Estates is concluded to be as improved for the completed homes, and as planned for the homes under construction and the vacant lots.



THE WARMINGTON COLLECTION

PROPERTY DATA

Location

This tract is comprised of three small and separate neighborhood areas which are located to the north and south of Stonebridge Pkwy., at Stockwood Cove, Deprise Cove and Eden Mills Pl.

Record Owner/Ownership History

Warmington Scripps Associates, L.P., purchased these lots from McMillin Montecito 47, LLC, with 26 lots acquired by deed recorded in November 2004 and 10 lots acquired by deed recorded in February 2005. The sale was negotiated in August 2004 at a total price of \$18,990,000 or \$527,500 per lot, with the seller to deliver finished lots other than fees of \$8,754 per lot to be paid by the buyer.

Subsequently, all 36 of the homes were completed and sold by the builder (closed sales), with the sales from Warmington Homes to various homeowners having closed from December 2005 through August 2007 at prices ranging from \$1,075,000 to \$1,970,500. In addition, there have been various resales since that time.

Legal Description

The 36 lots are described as Lots 175 through 210 of Sycamore Estates Unit 3, in the City of San Diego, County of San Diego, per Map No. 14895 recorded October 21, 2004.

Assessor Data

The 36 lots comprise Assessor Parcel Nos. 325-090-01 to 14 and 325-091-01 to 22. The current assessed values range from \$824,000 to \$1,208,700, or an average of \$979,925. The tax rate area is 08-122 which indicates a current tax rate of 1.02215%, but an effective tax rate of approximately 1.4% to 2.0% including special taxes for the CFDs, and based on current assessed values.

No. of Lots/Lot Sizes

This tract comprises a total of 36 lots, with a minimum and typical pad size of $\pm 100'$ x $120'$ or $\pm 12,000$ s.f. The actual lot sizes range from 16,254 s.f. to 76,528 s.f., or an average of 29,255 s.f., but this includes from a minor to a significant amount of side and/or rear slope area on most of the lots.

PROPERTY DATA, Continuing

Topography/View

The west neighborhood has a gradual slope down from Stonebridge Parkway, with minor terracing between some of the lots. The 11 lots around the perimeter back to open space, with the 7 lots along the west and north sides having canyon and territorial views. The center neighborhood has a gradual slope up from Stonebridge Parkway with terracing between the lots. All lots back to open space that slopes up from each lot, and there are no significant views. The lots in the east neighborhood are mostly above grade of Stonebridge Parkway, and well below grade of the homes to the south. Only a few of these lots have minor territorial views to the west.

Existing Development

These 36 lots have been developed with a product type of homes called The Warmington Collection. As of the October 1, 2012 date of value all of the homes were complete and had been sold and closed to individual homeowners.

There are three floor plans of homes, with builder information as follows:

Plan 1: 4,141 s.f., one story, with 4 bedrooms, $4\frac{1}{2}$ baths, large central courtyard with fireplace, intimate second courtyard, covered rear loggia, and 4-space tandem garage; optional flex room in lieu of the tandem portion of the garage that adds ± 154 s.f.; optional casita (per location) that adds ± 393 s.f.

Plan 2: 4,613 s.f., two story, with 5 bedrooms, $5\frac{1}{2}$ baths, covered central loggia with fireplace, rear porch, and an expanded 5-space tandem garage; optional rear loggia with fireplace in lieu of part of the tandem portion of the garage, optional porte cochere, and optional casita (per location) that adds 393 s.f.

Plan 3: 4,735 s.f., two story, with 5 bedrooms, library, $5\frac{1}{2}$ baths, large central courtyard, covered outdoor media and entertaining area with wet bar and fireplace, and a 4-space tandem garage; optional casita (per location) that adds 393 s.f.

Per building permit data, the 36 homes range in size from 4,141 s.f. to 5,138 s.f., or an average of 4,632 s.f.

VALUATION

Method of Analysis

This is fairly similar to the previous Terramar tract (CFD No. 2, Improvement Area 1), except that the subject tract has no completed-unsold homes. Primary consideration is given to recent resales of homes within the subject tract, and secondary consideration is given to recent resales of homes in other tracts within StoneBridge Estates.

VALUATION, Continuing

Analysis of Completed-Sold Homes

These are the 36 homes for which the original builder sales closed from December 2005 through August 2007 at prices ranging from \$1,075,000 to \$1,970,500. Over the past year there have been four closed resales in the subject tract, with no current escrows or listings. The four sales are shown in the following table:

No.	Address	Rec. Date	Price	Home Size	Lot Size	Remarks
1	11426 Stockwood Cove	7/24/12	\$810,000	4,141	27,443	Plan 1; short sale; average condition; no front or rear landscaping; minor view
2	14877 Eden Mills Pl.	6/27/12	\$912,500	4,141	39,204	Plan 1; standard sale; good condition; pool/spa; no view
3	11208 Deprise Cove	5/1/12	\$955,000	5,006	28,750	Plan 2 with casita; lender sale; good interior cond.; no backyard landse; pool/spa incomplete
4	11251 Deprise Cove	4/27/12	<u>\$860,500</u>	<u>4,141</u>	35,284	Plan 1; lender sale; average condition; backyard incomplete; no view
			\$884,500	4,357		Avg.

Initially, it is noted that three of the four sales are lender or short sales which tends to result in conservative sale prices due to the distressed conditions of sale, as well as the inferior condition of the properties relative to the average of the overall tract. This is evident by the lender or short sales having no landscaping, only partial landscaping, and/or a partially completed pool and spa. It is also noted that the average size of these four sales at 4,357 s.f. is significantly smaller than the average of 4,632 s.f. for all 36 homes. For these reasons, the indication at \$884,500 supports a far lower limit as an average for the 36 homes.

Considering Data No. 2, being the only standard sale, the indication at \$912,500 supports a closer but still far lower limit as an average for all 36 homes, due to the much smaller size of 4,141 s.f. and being fairly representative of the typical condition for the 36 homes.

As discussed next for the Calabria tract, there was a standard sale of a 5,108 s.f. home on a 20,254 s.f. lot that closed in March 2012 at the price of \$1,040,000. The home was well upgraded and in good condition, and included pool/spa, 4-car garage and good views. Considering the much larger home size than the average of 4,632 s.f. for the 36 subject homes, the indication at \$1,040,000 would tend to support a firm upper limit as an average for the 36 homes.

As discussed later for the Serenity tract (Zone 2), there was a standard sale (resale) of a 4,773 s.f. home on a 20,269 s.f. lot that closed in May 2012 at the price of \$1,100,000. This was a well upgraded home in good condition that also had highly

VALUATION, Continuing

improved front and back yards including pool/spa, covered patio and outdoor kitchen. Considering the larger size than the 4,632 s.f. average of the 36 subject homes, as well as the highly upgraded condition, the indication at \$1,100,000 supports a far upper limit as an average for the 36 homes.

Also as discussed later for the Sanctuary tract (Zone 2), there were five standard sales that closed from May through September 2012. The sale prices ranged from \$940,000 to \$1,210,000 or an average of \$1,057,000 for homes ranging in size from 4,435 s.f. to 5,153 s.f. or an average of 4,715 s.f. These homes are fairly similar to the subject in terms of desirability and quality, but the lots tend to be slightly larger, and with a greater number of view-oriented lots. These five sales were also well upgraded homes, and typically with well improved yards. Considering the slightly larger average home size in contrast to the 36 subject homes, as well as larger lot sizes and being well upgraded properties, the indication at \$1,057,000 supports a far upper limit as an average for the 36 homes.

Lastly, as discussed later in the assessed value analysis for the Calabria/Serenity tract that is located in Improvement Area A/Zone 1, there were two standard sales that closed in 2012 indicating prices of \$910,000 for a 3,780 s.f. home on a 20,830 s.f. lot, and \$980,000 for a 4,340 s.f. home on a 12,524 s.f. lot. Both homes were upgraded and in good condition, and the higher-priced home included a pool/spa and good views. Considering the average size of 4,632 s.f. for the 36 subject homes, the indication at \$910,000 tends to support a far lower limit and the indication at \$980,000 tends to support a close lower limit as averages for the 36 homes.

In summary, as an average for the 36 completed-sold homes, the sales data from within and outside of the subject tract supports far lower limits from \$884,500 to \$912,500, a close lower limit at \$980,000, and firm to far upper limits from \$1,040,000 to \$1,100,000. The most supportable range is concluded to be \$980,000 to \$1,040,000, and the conclusion is at the low end of the range, or \$980,000 as an average for the 36 completed-sold homes, which results in the following:

36 completed-sold homes @ \$980,000 = \$35,280,000

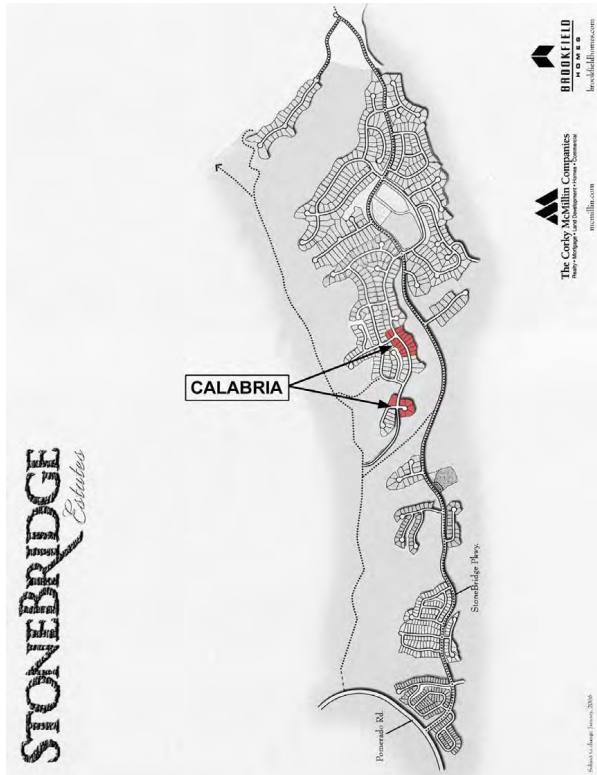
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for The Warmington Collection tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$35,280,000

(THIRTY-FIVE MILLION TWO HUNDRED EIGHTY THOUSAND DOLLARS)

MAP OF CALABRIA



CALABRIA

PROPERTY DATA

Location

This tract is located along Green Valley Ct. at Old Creek Rd. and also along both sides of Old Creek Rd. at and westerly from Carowind Ln.

Record Owner/Ownership History

As of the October 1, 2012 date of value, all of the homes in this tract were completed and sold to individual homeowners.

Brookfield 8 LLC (known by the builder name of Brookfield Homes) purchased the lots for this and the Serenity product type from Sycamore Estates, LLC by deed recorded in December 2004 at a price of \$26,709,677 or \$290,323 per lot. This was for the lots in finished condition, other than fees of \$8,754 per lot to be paid by the buyer. However, it is noted that this price was set in August 2003, and that the buyer was one of the partners comprising the selling entity.

Subsequently, all 22 of the homes were completed and sold by the builder to various homeowners from October 2006 through August 2009 at prices ranging from \$970,000 to \$1,378,500. In addition, there have been two resales since that time.

Legal Description

The 22 lots comprising this tract are described as Lots 8 to 21, 31 to 36, 91 & 92 of Sycamore Estates-Unit 1, in the City of San Diego, County of San Diego, per Map No. 14931, recorded December 17, 2004.

Assessor Data

The 22 lots comprise Assessor Parcel Nos. 325-080-08 to 13, 325-081-01 to 08 & 18 to 23, and 325-084-17 & 18. The assessed values of these 22 parcels range from \$716,000 to \$1,245,897, or an average of \$949,204. The tax rate area is 08-122 which indicates a current tax rate of 1.02215%, but an effective tax rate of approximately 1.2% to 2.2% including special taxes for the CFDs, and based on current assessed values.

No. of Lots/Lot Sizes

This tract comprises a total of 22 lots, with a minimum and typical pad size of $\pm 80'$ x $120'$ or $\pm 9,600$ s.f. The actual lot sizes for the overall tract (including Serenity) range from 11,234 s.f. to 41,993 s.f., or an average of 17,599 s.f., but this includes from a minor to a significant amount of side and/or rear slope area on most lots.

PROPERTY DATA, Continuing

Topography/View

The overall tract sits well above grade of Stonebridge Pkwy., and there is a gradual terracing of lots down to the north and west. Just over 50% of the lots back to open space and about 25% of the lots have territorial views to the north.

Existing Development

The 22 lots included in this appraisal have been developed with a product type of homes called Calabria. As of the October 1, 2012 date of value all of the homes were complete and had been sold and closed to individual homeowners.

There are four floor plans of homes with builder information as follows:

Plan 1: 3,780 s.f., one story, with 4 bedrooms, 3½ baths, plus bonus room or library, central courtyard with optional fireplace, and a 3 to 4-car garage.

Plan 2: 4,340 s.f., two story, with 5 bedrooms, 4½ baths, library/office with extra bonus room, mostly enclosed front courtyard with optional fireplace, and a 3 to 4-car garage.

Plan 3: 4,804 s.f., two story, with 5 bedrooms, 4½ baths, bonus room and library, covered front porch, and a 2-car garage plus a separate compact garage.

Plan 4: 5,120 s.f., two story, with 5 bedrooms, 4½ baths, bonus room and library, central courtyard with optional fireplace, covered front porch, and a 2-car garage plus a separate compact garage.

Per building permit data, the 22 homes range in size from 3,780 s.f. to 5,120 s.f., or an average of 4,439 s.f.

VALUATION

Method of Analysis

This is the same as for the previous The Warmington Collection tract.

Analysis of Completed-Sold Homes

These are the 22 homes for which the original builder sales closed from October 2006 through August 2009 at prices ranging from \$970,000 to \$1,378,500. Over the past year there has been only one closed resale in the subject tract, with no current escrows or listings. The only sale is discussed in the following:

14220 Green Valley Ct.: This is a Plan 4 home with 5,108 s.f. on a 20,254 s.f. lot on which the standard sale closed on March 9, 2012 at the price of \$1,040,000. The home was upgraded and in good condition, with well landscaped yards including pool and spa, good views and a 4-car garage.

VALUATION, Continuing

It is evident that this sale as a Plan 4 home at a size of 5,108 s.f. is substantially larger than the average of 4,439 s.f. for all 22 homes. In addition, the upgraded condition and yard improvements, as well as the view, are considered to be at least slightly superior factors to the average represented by all 22 homes. Thus, the indication at \$1,040,000 supports a far upper limit as an average for the 22 homes.

As previously discussed for The Warmington Collection tract, there was a standard sale of a 4,141 s.f. home on a 39,204 s.f. lot that closed in June 2012 at the price of \$912,500. The home was in good condition and included a pool & spa. Considering the much smaller size than the average of 4,439 s.f. for the 22 subject homes, the indication at \$912,500 tends to support a firm lower limit as an average for the 22 homes.

Also as previously discussed for The Warmington Collection tract, in the Serenity tract (discussed next) is a standard sale of a 4,773 s.f. home on a 20,269 s.f. lot that closed in May 2012 at the price of \$1,100,000. Due to the much larger size than the average of 4,439 s.f. for the 22 subject homes, as well as due to the highly upgraded condition, the indication at \$1,100,000 supports a far upper limit as an average for the 22 subject homes. The five standard sales in the Sanctuary tract (discussed later) indicate the price range from \$940,000 to \$1,210,000 or an average of \$1,057,000 for homes ranging in size from 4,435 s.f. to 5,153 s.f. or an average of 4,715 s.f. Again, due to the much larger average size as well as the upgraded/good condition of the homes and yards of these sales, the indication at \$1,057,000 supports a far upper limit as an average for the 22 subject homes.

Lastly, the two standard sales in the Calabria/Serenity tract (Improvement Area A/Zone 1) indicate prices of \$910,000 for a 3,780 s.f. home on a 20,830 s.f. lot and \$980,000 for a 4,340 s.f. home on a 21,524 s.f. lot, both in upgraded and good condition. Considering the average size of 4,439 s.f. for the 22 subject homes, but the superior upgraded condition of these sales in contrast to the average of the subject homes, the indication at \$910,000 tends to support a firm lower limit and the indication at \$980,000 tends to support a firm upper limit as averages for the 22 homes.

In summary, as an average for the 22 completed-sold homes, the sales data from within and outside of the subject tract supports firm lower limits at \$910,000 and \$912,500, a firm upper limit at \$980,000, and far upper limits from \$1,040,000 to \$1,100,000. The most supportable range is concluded to be over \$912,500 but under \$980,000, and the conclusion is at the lower end of the range, or \$920,000 as an average for the 22 completed-sold homes, which results in the following:

22 completed-sold homes @ \$920,000 = \$20,240,000

VALUATION, Continuing

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for the Calabria tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$20,240,000

(TWENTY MILLION TWO HUNDRED FORTY THOUSAND DOLLARS)



SERENITY

PROPERTY DATA

Location

This tract is located along both sides of Old Creek Rd. at Carowind Ln., Whispering Ridge Rd. and Green Valley Ct., $\pm\frac{1}{4}$ mile and beyond to the northwest of Stonebridge Pkwy.

Record Owner/Ownership History

Of the 70 lots in this tract, the special taxes have been prepaid on 3 of the lots, thus only 67 lots are included in this appraisal. As of the October 1, 2012 date of value and of the 67 lots included in the appraisal, individual homeowners owned 65 of the lots (Lots 1 to 7, 26 to 30, 37 to 43 & 45 to 90), and the remaining 2 lots are owned by Brookfield 8 LLC.

The original purchase of the lots by Brookfield 8 LLC is the same as discussed for the previous Calabria tract or product type. The sales of the 65 completed homes from Brookfield 8 LLC to the homeowners closed from August 2008 through September 25, 2012 at indicated prices ranging from \$846,000 to \$1,100,000. In addition, there have been two closed resales.

Legal Description

The 70 lots comprising this tract are described as Lots 1 to 7, 22 to 30 and 37 to 90 of Sycamore Estates-Unit 1, in the City of San Diego, per Map No. 14931, recorded December 17, 2004; however, the 67 lots included in this appraisal are Lots 1 to 7, 23, 25 to 30, 37 to 43 & 45 to 90.

Assessor Data

The 67 lots included in this appraisal comprise Assessor Parcel Nos. 325-080-01 to 07, 325-081-10 & 12 to 17, 325-082-01 to 07 & 09 to 20, 325-083-01 to 18 and 325-084-01 to 16. The assessed values of these 67 parcels range from \$139,203 to \$1,176,347 or an average of \$903,806. The tax rate area is 08-122 which indicates a current tax rate of 1.02215%, but an effective tax rate of approximately 1.5% to 2.0% including special taxes for the CFDs, and based on current assessed values.

No. of Lots/Lot Sizes

This tract comprises a total of 70 lots, though only 67 of the lots are included in this appraisal. These lots are a typical pad size of $\pm 80'$ x $120'$ or $\pm 9,600$ s.f., though the actual lot sizes for the overall tract (including Calabria) range from 11,234 s.f. to 41,993 s.f. including side and/or rear slope areas.

PROPERTY DATA, Continuing

Topography/View

The overall tract sits well above grade of Stonebridge Pkwy., and there is a gradual terracing of lots down to the north and west. About half of the lots back to open space and/or have territorial views to the north, west or south.

Existing Development

The 67 lots included in this appraisal have been developed with a product type of homes called Serenity. As of the October 1, 2012 date of value all but two of the homes had sold and closed to individual homeowners. The remaining two homes were complete but with no front or rear yard landscaping.

There are three floor plans of homes, with builder information as follows:

Plan 1: 4,040 s.f., two story, with 5 bedrooms, $4\frac{1}{2}$ baths, office, bonus room, master retreat, and an oversized 2-car garage.

Plan 2: 4,346 s.f., two story, with 5 bedrooms, $4\frac{1}{2}$ baths, bonus room/expanded bonus room, master retreat, optional bedroom 6 in lieu of expanded bonus room, and an oversized 2-car garage.

Plan 3: 4,759 s.f., two story, with 5 bedrooms, $4\frac{1}{2}$ baths, bonus room, master retreat, optional living suite in lieu of compact garage, optional bedroom 6 in lieu of master retreat, and an oversized/3-car garage.

Per building permit data, the 65 completed-sold homes range in size from 3,780 s.f. to 5,400 s.f. or an average of 4,424 s.f., and the 2 completed-unsold homes are sizes of 3,780 s.f. and 5,358 s.f.

VALUATION

Method of Analysis

The analysis is similar to that for the previous Terramar tract (CFD No. 2, Improvement Area 1).

Analysis of Completed-Sold Homes

These are the 65 homes for which the builder sales closed from August 2008 through September 25, 2012. The indicated range of sale prices for all 65 homes was \$846,000 to \$1,100,000 or an average of \pm \$938,000, reflecting an average home size of 4,424 s.f. (\$212.03 per s.f.). If considering the 13 sales that have taken place over the past year (since October 1, 2011), the indicated price range is slightly lower at \$846,000 to \$1,030,000 with a lower average of \pm \$899,000, and for a slightly smaller average size of 4,369 s.f. (\$205.77 per s.f.). However, if considering only

VALUATION, Continuing

the 9 sales that have closed in 2012 (April 10 to September 25), the indicated price range is the same, with a similar average of \pm \$902,500 and a similar average home size of 4,372 s.f. (\$206.43 per s.f.).

Thus, it is evident that the most recent prices are only slightly lower than the prices from August 2008 through September 2012. Considering the average home sizes of the sale groupings relative to the average of 4,424 s.f. for all 65 completed-sold homes, the indication at \$938,000 supports a firm upper limit and the indications at \$899,000 and \$902,500 support close but firm lower limits as an average for all 65 homes.

As previously indicated, there have been two closed resales of homes in the subject tract, which are discussed as follows:

14413 Whispering Ridge Rd.: This is a 4,773 s.f. home on a 20,269 s.f. lot on which the standard sale closed on May 25, 2012 at the price of \$1,100,000. The home was well upgraded and in good condition, with well landscaped yards with the backyard including pool, spa, covered patio, outdoor kitchen and fireplace.

14181 Green Valley Ct.: This is a 5,007 s.f. home on an 18,881 s.f. lot on which the standard sale closed on September 7, 2011 at the price of \$1,028,500. The home included the guest suite option and was in good condition, but the yards had average improvements.

Considering the much larger home sizes than the average of 4,424 s.f. for all 65 homes, as well as the highly upgraded condition of the first sale, the indications at \$1,038,500 and \$1,100,000 support far upper limits as an average for all 65 completed-sold homes.

As previously discussed for The Warmington Collection tract, there was a standard sale of a 4,141 s.f. home on a 39,204 s.f. lot that closed in June 2012 at the price of \$912,500. The home was in good condition and included a pool & spa. Considering the much smaller size than the average of 4,424 s.f. for the 65 subject homes, the indication at \$912,500 tends to support a firm lower limit as an average for the 65 homes.

Lastly, as previously discussed, the two standard sales in the Calabria/Serenity tract (Improvement Area A/Zone 1) indicate prices of \$910,000 for a 3,780 s.f. home on a 20,830 s.f. lot and \$980,000 for a 4,340 s.f. home on a 12,524 s.f. lot, both in upgraded and good condition. Considering the average size of 4,424 s.f. for the 65 subject homes, but the superior upgraded condition of these sales in contrast to the average of the subject homes, the indication at \$910,000 tends to support a firm lower limit and the indication at \$980,000 tends to support a firm upper limit as averages for the 65 homes.

In summary, as an average for the 65 completed-sold homes, the sales data from within and outside of the subject tract supports firm lower limits from \$899,000 to

VALUATION, Continuing

\$912,500, firm upper limits at \$938,000 and \$980,000, and far upper limits at \$1,038,500 and \$1,100,000. The most supportable range is concluded to be over \$900,000 but well under \$940,000, and the conclusion is at the lower part of the range, or \$910,000 as an average for the 65 completed-sold homes.

Analysis of Completed-Unsold Homes

These are the two Plan 1 homes with 4,040 s.f. that are still owned by the builder, and are completed except for flooring in one of the homes, and no front or rear yard landscaping for either home. The homes were marketed at asking prices of \$869,000 and \$879,900, with one home in escrow and due to close in December and the other home close to being in escrow which would close in November. The sale prices are indicated to be close to the asking prices.

The sizes of these homes at 4,040 s.f. are far smaller than the average of 4,424 s.f. for the 65 completed-sold homes, thus the conclusion of \$910,000 for the completed-sold homes supports a far upper limit for the completed-unsold homes. It is noted that the most recent 7 builder sales of Plan 1 homes since late September 2011 ranged in price from \$846,000 to \$919,500, or an average of \$864,000. Deleting the one high sale price of \$919,500, the indicated average is \$855,000.

The conclusion for the completed-unsold homes is an average of \$855,000.

Conclusion of Value

Based on the foregoing, the value indication for the subject tract in its as is condition, is calculated as follows:

65 completed-sold homes @ \$910,000 =	\$59,150,000
2 completed-unsold homes @ \$855,000 =	<u>\$ 1,710,000</u>
Value Indication, As Is:	\$60,860,000

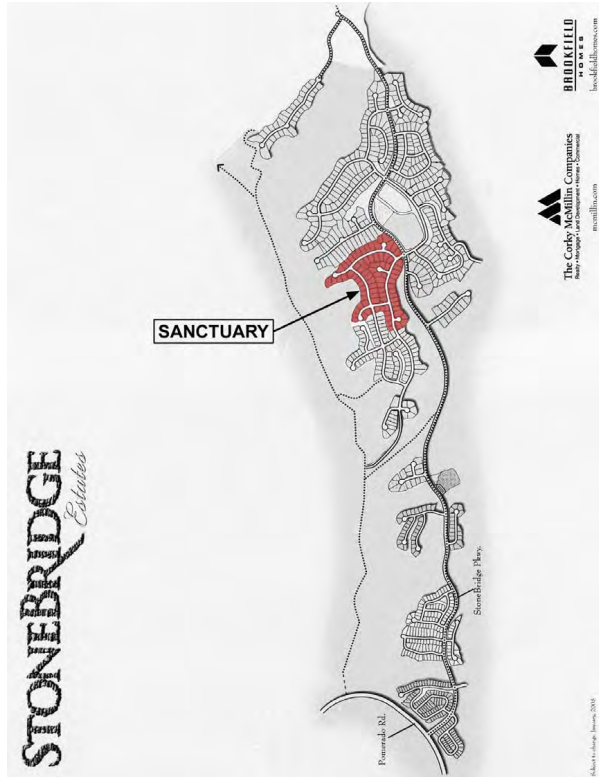
Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Serenity tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$60,860,000

(SIXTY MILLION EIGHT HUNDRED SIXTY THOUSAND DOLLARS)

As noted above, the allocation of the total value conclusion to the individual owners (completed-sold homes) is \$59,150,000 and the allocation to the builder ownership (completed-unsold homes) is \$1,710,000.

MAP OF SANCTUARY



SANCTUARY

PROPERTY DATA

Location

This tract is located on the north side of Stonebridge Pkwy. at Old Creek Rd. and extending northerly and northwesterly.

Record Owner/Ownership History

As of the October 1, 2012 date of value, all of the homes in this tract were completed and sold to individual homeowners.

Shea Homes Limited Partnership purchased these lots from McMillin Montecito 47, LLC by deed recorded in January 2005. The sale was negotiated in August 2004 at a total price of \$42,804,000 or \$522,000 per lot, with the seller to deliver finished lots other than fees of \$8,754 per lot to be paid by the buyer.

The sales of the 82 completed homes from Shea Homes to the homeowners closed from May 2006 through May 2010 at indicated prices ranging from \$1,000,000 to \$1,855,500. In addition, there have been various resales.

Legal Description

The 82 lots comprising this tract are described as Lots 93 through 174 of Sycamore Estates Unit 2, in the City of San Diego, County of San Diego, per Map No. 14932, recorded December 17, 2004.

Assessor Data

These 82 lots comprise Assessor Parcel Nos. 325-100-01 to 12, 325-101-01 to 07, 325-102-01 to 18, 325-103-01 to 23 & 325-104-01 to 22. The assessed values of these 82 parcels range from \$811,000 to \$1,612,048, or an average of \$1,046,125. The tax rate area is 08-122 which indicates a current tax rate of 1.02215%, but an effective tax rate of approximately 1.4% to 2.1% including special taxes for the CFDs, and based on current assessed values.

No. of Lots/Lot Sizes

This tract comprises a total of 82 lots, with a minimum and typical pad size of $\pm 100'$ x $120'$ or $\pm 12,000$ s.f. The actual lot sizes range from 14,222 s.f. to 36,312 s.f., or an average of 22,052 s.f., but this includes from a minor to a significant amount of side and/or rear slope area on most of the lots.

PROPERTY DATA, Continuing

Topography/View

The overall tract ranges from slightly to well above grade of Stonebridge Pkwy., and there is a gradual terracing of lots down to the north and west. About 35% of the lots back to open space and about half of the lots have territorial views to the north, south or east.

Existing Development

The 82 lots have been developed with a product type of homes called Sanctuary. As of the October 1, 2012 date of value all of the homes were complete and had been sold and closed to individual homeowners.

There are three floor plans, with builder information as follows:

Plan 1: 4,435 to 4,775 s.f., single story, with 5 bedrooms, 4½ baths, second floor retreat loft, parlor/library, breakfast nook, formal dining room, great room, central courtyard with covered entry loggia, and a 4-car tandem garage; options include a home office, bonus room, casita or studio above bedroom 5 and a detached cabana with ¾ bath.

Plan 2: 5,135 to 5,333 s.f., two-story, with 5-bedrooms, 5½ baths, master retreat, parlor, formal dining room, breakfast nook, family media room, great room, covered dining loggia/optional summer kitchen, and a 4-car split garage; options include a guest suite or media room at garage 4 and bedroom 5.

Plan 3: 5,599 s.f., two-story, with 5 bedrooms, 5½ baths, master retreat, game room, parlor, formal dining room with lounge, morning room, great room, central courtyard, and a 4-car split garage.

Per building permit data, the 82 homes range in size from 4,435 s.f. to 5,599 s.f., or an average of 5,173 s.f.

VALUATION

Method of Analysis

This is similar to The Warmington Collection.

Analysis of Completed-Sold Homes

These are the 82 homes for which the original builder sales closed from May 2006 through May 2010 at indicated prices ranging from \$1,000,000 to \$1,855,500. During 2012 there have been 8 closed resales in the subject tract, plus there is a current escrow. These 9 sales are shown in the following table:

VALUATION, Continuing

No.	Address	Rec. Date	Price	Home Size	Lot Size	Remarks
1	14825 Whispering Ridge Rd.	Pending	±\$885,000	5,599	26,136	Plan 3; short sale; upgraded/good condition; average yards; no view
2	14896 Whispering Ridge Rd.	9/28/12	\$1,050,000	4,775	21,780	Plan 1 w/optional space; standard sale; upgraded/good condition; good view
3	14715 Old Creek Rd.	9/24/12	\$1,025,000	4,435	20,176	Plan 1; standard sale; upgraded/good cond.; pool/spa; average view
4	11454 Edgewood Pl.	9/17/12	\$940,000	5,153	15,287	Plan 2; standard sale; upgraded/good cond.; average yards; no view
5	14832 Old Creek Rd.	7/30/12	\$895,000	4,775	30,928	Plan 1 w/optional space; short sale; good condition; pool/spa; minimal view
6	14716 Whispering Ridge Rd.	6/26/12	\$1,060,000	4,435	19,173	Plan 1; standard sale; good condition; well improved yards; pool/spa; minimal view
7	14719 Whispering Ridge Rd.	5/21/12	\$987,500	5,599	27,007	Plan 3; lender sale; average condition; minimal yard improvements; no view
8	11418 Via Santa Brisa	5/11/12	\$1,210,000	4,775	18,824	Plan 1 w/optional space; standard sale; well upgraded; pool/spa; no view
9	14661 Old Creek Dr.	1/27/12	<u>\$882,500</u>	<u>5,153</u>	20,466	Plan 2; short sale; good condition; average yard improvements; average view
			±\$993,000	4,967	Avg.	

Initially, it is noted that 4 of the 9 sales are lender or short sales which tends to result in conservative sale prices due to the distressed conditions of sale, as well as the typically inferior condition of the properties relative to the average of the overall tract. It is also noted that the average size of these 9 sales at 4,967 s.f. is slightly smaller than the average of 5,173 s.f. for all 82 homes. For these reasons, the indication at \$993,000 supports a far lower limit as an average for the 82 homes.

Considering only the 5 standard sales, the indicated price range is \$940,000 to \$1,210,000 or an average of \$1,057,000 for an average home size of 4,715 s.f. Based on the much smaller average size than for all 82 homes, and that the condition and views of these sales is fairly representative for the overall tract, the indication at \$1,057,000 tends to support a closer but firm lower limit as an average for the 82 homes.

As previously discussed for the Calabria tract, there was a standard sale of a 5,108 s.f. home on a 20,254 s.f. lot that closed in March 2012 at the price of \$1,040,000. The home was well upgraded and in good condition, and included pool/spa, 4-car garage and good views. Considering the slightly smaller size than the average of the subject 82 homes, this sale would tend to support a close indication to close lower limit at \$1,040,000 for the 82 homes.

VALUATION, Continuing

Also as previously discussed for the Serenity tract, there was a standard sale of a 4,773 s.f. home on a 20,269 s.f. lot that closed in May 2012 at the price of \$1,100,000. This was a well upgraded home in good condition that also had highly improved front and back yards including pool/spa, covered patio and outdoor kitchen. Considering the much smaller size than the 5,173 s.f. average of the 82 subject homes, but offset by the more highly upgraded condition than typical for the overall subject tract, the indication at \$1,100,000 tends to support a close indication to close upper limit as an average for the 82 homes.

Lastly, as discussed later for the Scripps Preserve tract (Zone 3), there was a standard sale of a 5,399 s.f. house on a 13,831 s.f. lot that closed in August 2012 at the price of \$1,165,000. The home was well upgraded and in good condition, with well improved front and back yards including pool & spa, outdoor kitchen, fireplace and firepit, and also good open space views. Considering the larger size than the average of the subject 82 homes, as well as the superior upgraded condition, the indication at \$1,165,000 supports a far upper limit as an average for the 82 homes.

In summary, as an average for the 82 completed-sold homes, the sales data from within and outside of the subject tract supports a far lower limit at \$993,000, a closer but firm lower limit at \$1,057,000, a close indication to close lower limit at \$1,040,000, a close indication to close upper limit at \$1,100,000, and a far upper limit at \$1,165,000. The most supportable range is concluded to be over \$1,040,000 but well under \$1,100,000, and the conclusion is at the lower end of the range, or \$1,050,000 as an average for the 82 completed-sold homes, which results in the following:

82 completed-sold homes @ \$1,050,000 = \$86,100,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for the Sanctuary tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$86,100,000

(EIGHTY-SIX MILLION ONE HUNDRED THOUSAND DOLLARS)

CFD NO. 11, ZONE 3

MONTORO

PROPERTY DATA

Location

This tract is located northerly from Stonebridge Pkwy. on both sides of Sweet Willow Way and Terrebonne Ct.

Record Owner/Ownership History

As of the October 1, 2012 date of value, individual homeowners owned 26 of the lots and the remaining 2 lots (Lots 264 and 266) are still owned by the builder (Cornerstone).

Cornerstone at Stonebridge Estates, L.P. acquired these lots from McMillin Montecito 47, LLC in September 2005 together with the lots for the Tiburon tract of homes (discussed next). Subsequently, Lots 264, 265 and 282 through 289 in this Montoro tract were deeded to Montoro at Stonebridge Estates, LLC (c/o Cornerstone Communities) in July 2008. The sale prices in both of these transactions are not known.

The sales of the 26 completed-sold homes to the homeowners closed from May 29, 2009 through September 28, 2012 at indicated prices ranging from \$780,000 to \$1,218,000. In addition, there has been one closed resale.

Legal Description

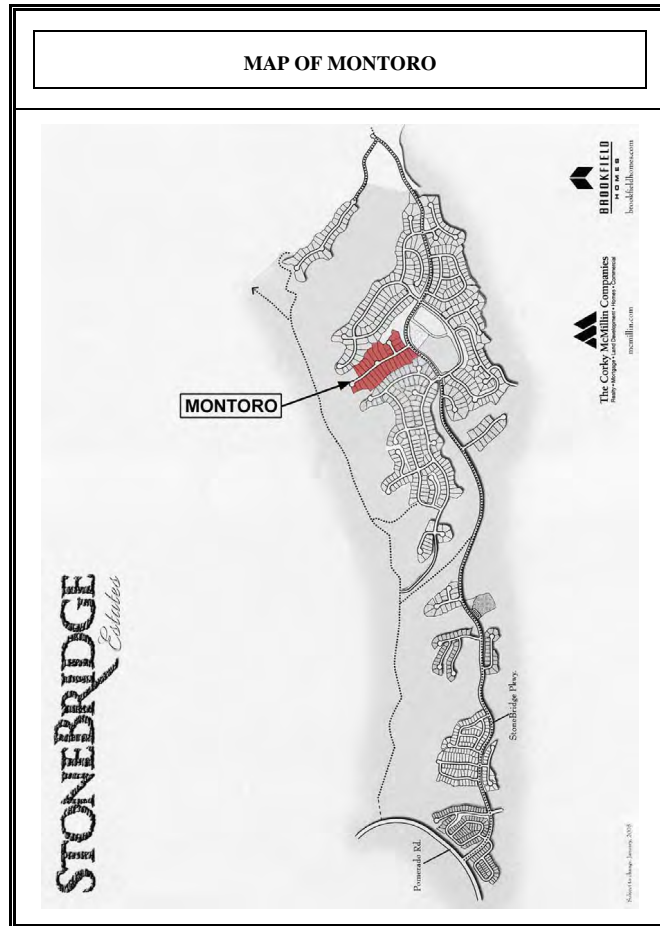
The 28 lots comprising this tract are described as Lots 264 to 271 and 279 to 291 of Sycamore Estates Phase II Unit 5 in the City of San Diego, County of San Diego, according to Map No. 15127, filed in the office of the County Recorder on September 27, 2005; and Lots 1 to 7 of Amended Map of Sycamore Estates Phase II Unit 5, recorded December 13, 2006.

Assessor Data

These 28 lots comprise Assessor Parcel Nos. 325-160-01 to 08, 16 to 28, 35 to 39, 46 & 47. The assessed values of these 28 parcels range from \$369,000 to \$1,251,713, or an average of \$810,157. The tax rate area is 08-122 which indicates a current tax rate of 1.02215%, but an effective tax rate of approximately 1.5% to 1.7% including special taxes for the CFDs, and based on current assessed values.

No. of Lots/Lot Sizes

This tract comprises a total of 28 lots, with a minimum and typical pad size of $\pm 80'$ x $120'$ or $\pm 9,600$ s.f. The actual lot sizes range from 15,113 s.f. to 54,014 s.f., or



PROPERTY DATA, Continuing

an average of 31,569 s.f., but this includes from a minor to a significant amount of side and/or rear slope area on most of the lots.

Topography/View

The lots have a gradual terracing down to the north and east, but only a few lots back to open space or have minor territorial views.

Existing Development

The 28 lots have been developed with a product type of homes called Montoro. As of the October 1, 2012 date of value all but two of the homes had sold and closed to individual homeowners. The remaining two homes were complete, and one had no rear yard landscaping.

There are two floor plans, with the builder information as follows:

Plan 1: 3,655 to 3,840 s.f., two story, with 3 to 5 bedrooms, 2½ to 3 baths, study, bonus room, super family room, and a 3-car tandem garage.

Plan 2: 4,285 s.f. (5,015 s.f. with casita), two story, with 4 to 6 bedrooms, 3½ to 4½ baths, bonus room, study, and a 3 to 4-car garage; casita is two story and includes living room, kitchenette, bedroom and bath.

Per building permit data, the 26 completed-sold homes range in size from 3,656 s.f. to 5,016 s.f. or an average of 4,485 s.f., and the 2 completed-unsold homes are sizes of 3,656 s.f. and 5,016 s.f.

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of Completed-Sold Homes

These are the 26 homes for which the builder sales closed from May 29, 2009 through September 28, 2012. The indicated range of sale prices for all 26 homes was \$780,000 to \$1,218,000 or an average of ±\$881,000, reflecting an average home size of 4,485 s.f. If considering the 13 sales that have closed over the past year (December 2, 2011 through September 28, 2012), the indicated price range is much lower at \$780,000 to \$900,000 with a much lower average of \$825,000, but for a slightly smaller average size of 4,419 s.f. Thus, considering the average sizes, the indication at \$881,000 supports a firm upper limit and the indication at \$825,000 supports a firm lower limit as an average for all 26 homes.

VALUATION, Continuing

As previously indicated, there has been one closed resale in the subject tract, which is discussed as follows:

15225 Terrebonne Ct.: This is a Plan 2 home with 4,287 s.f. on a 30,928 s.f. lot on which the standard sale closed on June 18, 2012 at the price of \$850,000. The home was upgraded and in good condition, with average landscaping and minimal back yard improvements. In addition, there is no view.

Considering the much smaller home size than the average of 4,485 s.f. for all 26 homes, as well as the general average level of upgrading and yard improvements, the indication at \$850,000 tends to support a firm lower limit as an average for all 26 homes.

As previously discussed for The Warmington Collection tract, there was a standard sale of a 4,141 s.f. home on a 39,204 s.f. lot that closed in June 2012 at the price of \$912,500. The home was in good condition and included a pool & spa. Considering the much smaller size than the average of 4,485 s.f. for the 26 subject homes, but also considering the superior desirability of The Warmington Collection homes and neighborhood, the indication at \$912,500 supports a firm upper limit as an average for the 26 homes.

Lastly, as previously discussed, the two standard sales in the Calabria/Serenity tract (Improvement Area A/Zone 1) indicate prices of \$910,000 for a 3,780 s.f. home on a 20,830 s.f. lot and \$980,000 for a 4,340 s.f. home on a 12,524 s.f. lot, both in upgraded and good condition. Considering the average size of 4,485 s.f. for the 26 subject homes, but the superior upgraded condition of these sales in contrast to the average of the subject homes and the superior desirability of the Calabria/Serenity homes and neighborhood, the indication at \$910,000 supports a firm upper limit and the indication at \$980,000 supports a far upper limit as averages for the 26 homes.

In summary, as an average for the 26 completed-sold homes, the sales data from within and outside of the subject tract supports firm lower limits at \$825,000 and \$850,000, firm upper limits from \$881,000 to \$912,500, and a far upper limit at \$980,000. The most supportable range is concluded to be well over \$825,000 but well under \$881,000, and the conclusion is near the mid-part of the range, or \$850,000 as an average for the 26 completed-sold homes.

Analysis of Completed-Unsold Homes

These two homes consist of a Plan 1 home with the optional space resulting in a size of 3,840 s.f. and a Plan 2 home with the additional casita resulting in a size of 5,015 s.f. The Plan 1 home is a former model that includes significant upgrades and well landscaped front and back yards. The Plan 2 home has significant interior upgrades but only front yard landscaping. The homes were marketed at asking prices of \$899,990 for the Plan 1/former model home and \$882,990 for the Plan 2 home. It is

VALUATION, Continuing

reported that both homes are in escrow at prices that are within \$30,000 of the asking prices, with one sale due to close by mid-October and the other sale due to close in late October or early November.

It is noted that the average size of these two homes is 4,428 s.f. which is smaller than the average of the 26 completed-sold homes. However, one of the homes is a highly upgraded former model, which is reflected by a higher asking price than for the much larger Plan 2 home. For conservative valuation purposes, the value conclusion for these two homes is the same as for the completed-sold homes, or an average of \$850,000.

Conclusion of Value

Based on the foregoing, the value indication for the subject tract in its as is condition, is calculated as follows:

26 completed-sold homes @ \$850,000 =	\$22,100,000
2 completed-unsold homes @ \$850,000 =	<u>\$ 1,700,000</u>
Value Indication, As Is:	\$23,800,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Montoro tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$23,800,000

(TWENTY-THREE MILLION EIGHT HUNDRED THOUSAND DOLLARS)

As noted above, the allocation of the total value conclusion to the individual owners (completed-sold homes) is \$22,100,000 and the allocation to the builder ownership (completed-unsold homes) is \$1,700,000.



TIBURON

PROPERTY DATA

Location

This tract is located on the westerly and southerly sides of Sycamore Trail Rd., just to the south of Stonebridge Pkwy.

Record Owner/Ownership History

As of the October 1, 2012 date of value, all of the homes in this tract were completed and sold to individual homeowners.

Cornerstone at Stonebridge Estates, L.P. acquired these lots from McMillin Montecito 47, LLC in September 2005 together with the lots for the Montoro tract of homes (previously discussed). Subsequently, 11 of the lots were acquired by 11 at Tiburon LLC (known by the builder name of ColRich).

The 42 sales of homes by Cornerstone at Stonebridge Estates to homeowners closed from April 2007 through March 2011 at indicated prices ranging from \$976,000 to \$1,772,500. The 11 sales of homes by 11 at Tiburon LLC to homeowners closed from December 2010 through September 2011 at prices ranging from \$775,000 to \$875,000.

Legal Description

The 53 lots comprising this tract are described as Lots 211 through 263 of Sycamore Estates Phase II Unit 4 in the City of San Diego, County of San Diego, according to Map thereof No. 15124, filed in the office of the County Recorder on September 21, 2005.

Assessor Data

These 53 lots comprise Assessor Parcel Nos. 325-120-01 to 53. The assessed values of these 53 parcels range from \$775,000 to \$1,600,000, or an average of \$1,053,033. The tax rate areas are 08-122 and 08-151 which indicate a current tax rate of 1.02215%, but an effective tax rate of approximately 1.3% to 2.1% including special taxes for the CFDs, and based on current assessed values.

No. of Lots/Lot Sizes

This tract comprises a total of 53 lots, with a minimum and typical pad size of $\pm 80'$ x $120'$ or $\pm 9,600$ s.f. The actual lot sizes range from 10,485 s.f. to 38,768 s.f., or an average of 19,041 s.f., but this includes from a minor to a significant amount of side and/or rear slope area on most of the lots.

PROPERTY DATA, Continuing

Topography/View

The tract is on a higher plateau area, above grade of the lots to the north and west and above grade of Stonebridge Pkwy. In addition, the lots terrace up slightly to the south. Thus, about half of the lots back to open space around the perimeter with territorial views to the northwest, west and south, and a few other lots have territorial views to the north above the lower lots.

Existing Development

These 53 lots have been developed with a product type of homes called Tiburon. As of the October 1, 2012 date of value all of the homes were complete and had been sold and closed to individual homeowners.

The 42 homes that were built and sold by Cornerstone Communities are described as follows:

Plan 1: 4,345 to 4,950 s.f., two story, with 4 to 6 bedrooms, $3\frac{1}{2}$ baths, study, bonus room, and a 3-car garage; optional two story casita with living room, kitchen, bedroom and bath.

Plan 2: 4,905 to 5,790 s.f., two story, with 4 to 7 bedrooms, $4\frac{1}{2}$ to $5\frac{1}{2}$ baths, loft, study, and a 3 to 4-car garage; optional casita is two story and includes living room, kitchenette, bedroom and bath.

Plan 3: 5,390 to 5,955 s.f., two story, with 5 to 7 bedrooms, $4\frac{1}{2}$ to $5\frac{1}{2}$ baths, study, bonus room, and a 4-car garage; optional casita is two story and includes living room, kitchen, bedroom and bath.

The 11 homes that were built and sold by ColRich were called The ColRich Collection at Tiburon, with the two primary floor plans as follows:

Plan 1: 3,567 s.f., one story, with 4 bedrooms, $3\frac{1}{2}$ baths, den, central courtyard and a 3-car garage.

Plan 2: 3,730 s.f., two story, with 4 bedrooms, $4\frac{1}{2}$ baths, media room, library, and separate 1-car and 2-car garages.

Per building permit data, the 42 homes range in size from 4,903 s.f. to 5,954 s.f. or an average of 5,488 s.f., and the 11 homes range in size from 3,567 s.f. to 3,917 s.f. or an average of 3,677 s.f.

VALUATION

Method of Analysis

This is similar to previous analyses.

VALUATION, Continuing

Analysis of 42 Completed-Sold Homes

These are the 42 homes for which the builder sales closed from April 2007 through March 2011, but mostly prior to November 2010. The indicated sale prices ranged from \$976,000 to \$1,772,500 or an average of \pm \$1,255,000, for an average home size of 5,488 s.f. Considering the dates of sale and based on prior analyses, this indication at \$1,255,000 is a far upper limit as an average at current date for the 42 homes.

The three most recent resales of these homes are shown in the following table:

No.	Address	Rec. Date	Price	Home Size	Lot Size	Remarks
1	15073 Almond Orchard Ln.	5/31/12	\$935,000	5,955	11,468	Plan 3 w/optional casita; standard sale; good condition; average yards; good view
2	15183 Maple Grove Ln.	11/1/11	\$1,200,000	5,955	15,157	Plan 3 w/optional casita; standard sale; upgraded/good condition; avg. yards & view
3	15069 Almond Orchard Ln.	9/30/11	<u>\$900,000</u>	<u>4,905</u>	11,914	Plan 2; standard sale; good condition; average yard improvements; good view
			\pm \$1,012,000	5,605	Avg.	

Initially, it is noted that all three of the sales were standard sales. In addition, it is noted that the average size of 5,605 s.f. is larger than the average of 5,488 s.f. for all 42 homes. However, it also appears that the price of Data No. 1 was well on the conservative side, and likely reflected a highly motivated seller, since the seller had been relocated and the original asking price in late 2011 had been \$1,250,000. Overall, the indication at \$1,012,000 supports a firm lower limit as an average for all 42 homes.

It is also noted that there is one current listing which is of the home at 11228 Amberstone Ct. It was listed at the beginning of September 2012 at the asking price of \$1,495,000. This is a Plan 3 home with the optional casita, or 5,955 s.f. on a 17,995 s.f. lot. The home is well upgraded and in good condition, and includes a pool & spa, outdoor kitchen and bath, and a good view. Considering the much larger home size than the average of the 42 homes, as well as the superior upgraded condition and also that this is only an asking price, the indication at \$1,485,000 supports a far upper limit as an average for the 42 homes.

As previously discussed for the Calabria tract, there was a standard sale of a 5,108 s.f. home on a 20,254 s.f. lot that closed in March 2012 at the price of \$1,040,000. The home was well upgraded and in good condition, and included pool/spa, 4-car garage and good views. While the size is much smaller than the average of the subject 42 homes, this is offset by the superior upgraded condition and the greater

VALUATION, Continuing

desirability of the Calabria tract. Thus, the indication at \$1,040,000 supports a close indication to close lower limit as an average for the 42 subject homes.

Also as previously discussed for the Serenity tract, there was a standard sale of a 4,773 s.f. home on a 20,269 s.f. lot that closed in May 2012 at the price of \$1,100,000. This was a well upgraded home in good condition that also had highly improved front and back yards including pool/spa, covered patio and outdoor kitchen. While the size is significantly smaller than the average of the subject homes, the highly upgraded condition is superior and the Serenity tract is considered to have much greater desirability. Thus, the indication at \$1,100,000 tends to support a firm upper limit as an average for the 42 homes.

The five standard sales that were previously discussed in the Sanctuary tract indicate the price range from \$940,000 to \$1,210,000 or an average of \$1,057,000 for homes ranging in size from 4,435 s.f. to 5,153 s.f. or an average of 4,715 s.f. Again, the much smaller average size is mostly offset by the greater desirability of the Sanctuary tract, as well as the typically superior condition of the homes. Thus, the indication at \$1,057,000 tends to support a close indication as an average for the 42 subject homes.

Lastly, as discussed later for the Scripps Preserve tract, there was a standard sale of a 5,399 s.f. house on a 13,831 s.f. lot that closed in August 2012 at the price of \$1,165,000. The home was well upgraded and in good condition, with well improved front and back yards including pool & spa, outdoor kitchen, fireplace and firepit, and also good open space views. While the size is fairly similar to the average of the subject 42 homes, the highly upgraded condition is superior and the Scripps Preserve tract has greater desirability. Thus, the indication at \$1,165,000 supports a far upper limit as an average for the 42 homes.

In summary, as an average for the 42 completed-sold homes, the sales data from within and outside of the subject tract supports a firm lower limit at \$1,012,000, a close indication to close lower limit at \$1,040,000, a close indication at \$1,057,000, a firm upper limit at \$1,100,000, and far upper limits from \$1,165,000 to \$1,485,000. The most supportable range is concluded to be well over \$1,012,000 but well under \$1,100,000, and the conclusion is at the lower mid-part of the range, or \$1,050,000 as an average for the 42 completed-sold homes.

Analysis of 11 Completed-Sold Homes

These are the 11 homes for which the builder sales closed from December 2010 through September 2011. The prices ranged from \$775,000 to \$875,000 or an average of \pm \$826,000 for an average home size of 3,677 s.f. Considering the dates of sale, the indication at \$826,000 tends to support a close indication to close upper limit as an average at current date for the 11 homes.

VALUATION, Continuing

As previously discussed for The Warmington Collection tract, there was a standard sale of a 4,141 s.f. home on a 39,204 s.f. lot that closed in June 2012 at the price of \$912,500. The home was in good condition and included a pool & spa. Considering the significantly larger size than the average of 3,677 s.f. for the 11 subject homes, the indication at \$912,500 supports a far upper limit as an average for the 11 homes.

As discussed later in the assessed value analysis for the Mill Creek tract that is located in Improvement Area A/Zone 1, there were two standard sales that closed in 2012 indicating prices of \$685,000 for a 3,390 s.f. home on a 6,733 s.f. lot and \$710,000 for a 3,226 s.f. home on a 6,613 s.f. lot. These prices support far lower limits for the subject homes due to the much smaller home and lot sizes, the lack of view, and the Mill Creek homes being 8 years old in contrast to the subject homes being 1 to 2 years old.

Also as discussed later in the assessed value analysis for the Astoria tract in Improvement Area A/Zone 1, there was a standard sale that closed in June 2012 indicating a price of \$750,000 for a 6-year old 3,869 s.f. home on a 10,006 s.f. lot. The home was in good condition, but with average yard improvements and view. This price supports a closer but still far lower limit for the subject homes, due to the inferior factors of age of home, lot size, inferior view and less desirability of tract being more than offsetting to the larger home size.

Lastly and as previously discussed, the two standard sales in the Calabria/Serenity tract (Improvement Area A/Zone 1) indicate prices of \$910,000 for a 3,780 s.f. home on a 20,830 s.f. lot and \$980,000 for a 4,340 s.f. home on a 12,524 s.f. lot, both in upgraded and good condition. Considering the smaller average size of the 11 subject homes, as well as the superior upgraded condition of these sales in contrast to the average of the subject homes, the indications at \$910,000 and \$980,000 support far upper limits as an average for the 11 homes.

In summary, as an average for the 11 completed-sold homes, the sales data from within and outside of the subject tract supports far lower limits from \$685,000 to \$750,000, a close indication to close upper limit at \$826,000, and far upper limits from \$910,000 to \$980,000. The conclusion for the 11 subject homes is an average of \$810,000.

Conclusion of Value

Based on the foregoing, the value indication for the subject tract is calculated as follows:

42 completed-sold homes @ \$1,050,000 =	\$44,100,000
11 completed-sold homes @ \$810,000 =	<u>\$ 8,910,000</u>
Value Indication:	\$53,010,000

VALUATION, Continuing

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Tiburon tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$53,010,000

(FIFTY-THREE MILLION TEN THOUSAND DOLLARS)

MAP OF VISCAYA



VISCAYA

PROPERTY DATA

Location

This tract is located on the north side of Stonebridge Pkwy. at Cobble Creek Ln.

Record Owner/Ownership History

Of the 48 lots in this tract, the special taxes have been prepaid on 1 of the lots, thus only 47 lots are included in this appraisal. As of the October 1, 2012 date of value, all of the homes in this product type were completed and sold to individual homeowners. Subsequently, there have been two closed resales.

Warmington Scripps II Associates, L.P. (Warmington Homes) acquired these 48 lots from McMillin Sycamore 109, LLC in September 2005, and subsequently built and sold 29 homes with the sales closing from July 2007 through August 2008 at indicated prices ranging from \$868,000 to \$1,273,000. Warmington then sold the remaining 19 lots to City Ventures in two takedowns that closed in August 2009 and March 2010. City Ventures then built and sold 19 homes (1 of which has prepaid the special taxes) that closed from March 2010 through December 2010 at prices ranging from \$720,000 to \$862,000.

Legal Description

The 48 lots comprising this tract are described as Lots 383 through 430 of Sycamore Estates Phase II Unit 8, in the City of San Diego, County of San Diego, per Map No. 15130 recorded September 27, 2005. However, the special taxes have been prepaid on Lot 413, thus it is not included in this appraisal.

Assessor Data

The 47 lots included in this appraisal comprise Assessor Parcel Nos. 325-140-01 to 30 & 32 to 48. Current assessed values range from \$403,735 to \$1,200,000, or an average of \$813,393. The tax rate areas are 08-122 and 08-155 which indicate a current tax rate of 1.02215%, but an effective tax rate of approximately 1.5% to 1.8% including the special taxes for this CFD.

No. of Lots/Lot Sizes

This tract comprises a total of 48 lots, though only 47 are included in the appraisal. The lots are a minimum and typical pad size of $\pm 80' \times 120'$ or $\pm 9,600$ s.f., with actual sizes of 10,980 s.f. to 50,965 s.f., or an average of 19,113 s.f., but including a minor to a significant amount of side and/or rear slope area on most of the lots.

PROPERTY DATA, Continuing

Topography/View

The lots have a gradual terrace down to the north and east, and about 30% of the lots back to the canyon/open space area to the north with territorial views of distant hills and city lights.

Existing Development

The 47 lots included in this appraisal have been developed with a product type of homes called Viscaya. As of the October 1, 2012 date of value all of the homes had been completed and sold and closed to individual homeowners.

There are three floor plans, with builder information as follows:

Plan 1: 3,729 to 4,209 s.f., one story, with 4 bedrooms, 4½ baths, central atrium, covered loggia and a 3-car garage; options include library at bedroom 4, second floor retreat or bedroom 5 and bath 5.

Plan 2: 3,977 to 4,178 s.f., two story, with 4 bedrooms, 4½ baths, den, covered deck off master, courtyard with covered loggia and a 3-car garage; options include bedroom 5 at den, teen/bonus room at bedroom 3, outdoor kitchen, casita or game room or office with bath 5 in lieu of covered front loggia.

Plan 3: 4,164 to 4,435 s.f., two story, with 4 bedrooms, 4½ baths, den, covered loggia, rear covered outdoor room with optional kitchen and a 4-car tandem garage; options include bedroom 5 at den, casita or game room with bath 5 in lieu of rear covered outdoor room.

Per building permit data, the 47 homes range in size from 3,738 s.f. to 4,452 s.f., or an average of 4,066 s.f.

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of Completed-Sold Homes

These are the 47 homes for which the sales of 29 homes by Warmington closed from July 2007 through August 2008 at indicated prices ranging from \$868,000 to \$1,273,000, or an average of \$1,074,000 for an average home size of 4,166 s.f. Subsequently, the sales of 18 homes by City Ventures closed from March 2010 through December 2010 at prices ranging from \$720,000 to \$862,000 or average of \$796,000 for an average home size of 3,904 s.f.

VALUATION, Continuing

Initially, the indication at \$1,074,000 is a far upper limit at current date, due to the dates of sale in 2007 and 2008, as well as the slightly larger average home size than the average of 4,066 s.f. for all 47 homes. In addition, while the homes built by City Ventures were similar floor plans, they were reportedly of an inferior quality. This is evident by the significantly lower average price of \$796,000 for the slightly smaller average size of 3,904 s.f. for those 18 homes. Thus, the indication at \$796,000 supports a far lower limit as an average for all 47 homes.

As previously indicated, there have been two closed resales of homes in the subject tract, both of which were built by Warmington, and are discussed as follows:

15624 Cobble Creek Ln.: This is a 3,977 s.f. home on a 15,525 s.f. lot on which the short sale closed on October 31, 2011 at the price of \$800,000. The home was in good condition with well improved yards including pool & spa, and an average open space view.

15595 Pinchurst Pl.: This is a 4,215 s.f. home on a 26,572 s.f. lot on which the standard sale closed on September 29, 2011 at the price of \$900,000. The home was upgraded and in good condition, and included a pool & spa, but no view.

Due to the smaller home size of the first sale, as well as being a short sale situation, the indication at \$800,000 is likely on the conservative side and supports a firm lower limit as an average for all 47 homes. Considering the larger home size of the second sale than the average of all 47 homes, and being a standard sale, the indication at \$900,000 tends to support a firm upper limit as an average for the 47 homes.

Considering the average size of the subject homes, as well as the somewhat inferior quality of 18 of the homes, the sales data discussed in the previous analyses of the Montoro and Tiburon tracts supports far lower limits from \$685,000 to \$750,000, a close indication to close upper limit at \$850,000, and far upper limits from \$910,000 to \$980,000. The conclusion for the 47 subject homes is an average of \$850,000 which results in the following:

47 completed-sold homes @ \$850,000 = \$39,950,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Viscaya tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$39,950,000

(THIRTY-NINE MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF SCRIPPS PRESERVE



SCRIPPS PRESERVE

PROPERTY DATA

Location

This tract is located along the south side of Stonebridge Pkwy., easterly from Sycamore Trail Rd., at Mission Preserve Pl. and Via La Ventana.

Record Owner/Ownership History

Of the 61 lots in this tract, the special taxes have been prepaid on 1 of the lots, thus only 60 lots are included in this appraisal. As of the October 1, 2012 date of value, all of the homes in this product type were completed and sold to individual homeowners. Subsequently, there have been three closed resales and there is one current escrow.

Stonebridge-San Diego, L.P. (known by the builder name of Davidson Communities) acquired the lots for this tract from McMillin Sycamore 109, LLC in September 2005. Subsequently, the 60 homes were built and sold, with the sales closing from March 2007 through May 2009 at prices ranging from \$735,000 to \$1,571,000.

Legal Description

The 61 lots comprising this tract are described as Lots 431 through 491 of Sycamore Estates Phase II, Unit 9, in the City of San Diego, County of San Diego, per Map No. 15131 recorded September 27, 2005. However, the special taxes have been prepaid on Lot 474, thus it is not included in this appraisal.

Assessor Data

The 60 lots included in this appraisal comprise Assessor Parcel Nos. 325-130-01 to 43 and 45 to 61. Current assessed values range from \$585,178 to \$1,220,546, or an average of \$871,082. The tax rate areas are 08-151 and 08-155 which indicate a current tax rate of 1.02215%, but an effective tax rate of approximately 1.4 % to 2.1% including the special taxes for the CFDs, and based on current assessed values.

No. of Lots/Lot Sizes

This tract comprises a total of 61 lots, though only 60 are included in the appraisal. The minimum and typical pad size is $\pm 80' \times 120'$ or $\pm 9,600$ s.f., with actual lot sizes ranging from 10,984 s.f. to 37,897 s.f., or an average of 17,347 s.f., but this includes a minor to significant amount of side and/or rear slope area on most of the lots.

PROPERTY DATA, Continuing

Topography/View

The lots have a gradual terrace down to the south and west, and about 15% of the lots back to the canyon/open space area to the south with minor territorial views.

Existing Development

The 60 lots included in this appraisal have been developed by Davidson Communities with a product type of homes called Scripps Preserve. As of the October 1, 2012 date of value, all of the homes had been completed and sold to individual homeowners.

There are three floor plans, with builder information as follows:

Plan 1: 4,630 s.f. (5,022 s.f. with casita), two story, with 4 bedrooms plus den or optional bedroom 5, 3½ to 4½ baths, courtyard and kitchen nook, and 2 to 4-car garage; optional casita is second floor with living room/bedroom, kitchen and bath.

Plan 2: 4,744 s.f. (5,037 s.f. with casita), two story, with 4 bedrooms plus den and bonus room or optional bedrooms 5 and 6, 4½ baths, tech center, loggia and 2 or 3-car garage; optional casita is first floor with living room/bedroom and bath.

Plan 3: 5,399 to 5,818 s.f., two story, with 5 bedrooms plus office, 5½ baths, optional outdoor kitchen or game room, porte cochere, and a 3 or 4-car garage.

Per building permit data, the 60 homes range in size from 4,630 s.f. to 5,818 s.f., or an average of 5,038 s.f.

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of Completed-Sold Homes

These are the 60 homes for which the builder sales closed from March 2007 through May 2009. The indicated sale prices ranged from \$735,000 to \$1,571,000 or an average of ±\$1,028,000, for an average home size of 5,038 s.f. Considering the dates of sale, this indication at \$1,028,000 would tend to support a firm upper limit as an average at current date for the 60 homes.

As previously indicated, within the subject tract there have been three closed resales and there is one current escrow, and these sales are shown in the following table:

VALUATION, Continuing

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Lot Size</u>	<u>Remarks</u>
1	15501 Mission Preserve Pl.	Pending	\$1,090,000	5,039	15,572	Plan 2 w/optional casita; standard sale; former model; well upgraded; good yards
2	15553 Via La Ventana	8/6/12	\$1,165,000	5,399	13,831	Plan 3; standard sale; well upgraded/good condition; pool & spa; average view
3	15525 Mission Preserve Pl.	5/2/12	\$915,000	4,830	15,971	Plan 1; standard sale; upgraded/good condition; average yards; no view
4	15587 Camden Pl.	3/22/11	<u>\$936,500</u>	<u>4,744</u>	11,063	Plan 2; standard sale; some upgrades; good condition; average yards; no view
			±\$1,027,000	5,003	Avg.	

Initially, it is noted that all four of the sales were standard sales. In addition, it is noted that the average size of 5,003 s.f. is only slightly smaller than the average of 5,038 s.f. for all 60 homes. These four sales are also considered to be fairly representative of the overall tract in terms of the condition of the homes, yard improvements, and views. Overall, the indication at \$1,027,000 supports a fairly close indication as an average for all 60 homes.

As previously discussed for The Warmington Collection tract, there was a standard sale of a 4,141 s.f. home on a 39,204 s.f. lot that closed in June 2012 at the price of \$912,500. The home was in good condition and included a pool & spa. Considering the significantly smaller size than the average of 5,038 s.f. for the subject homes, the indication at \$912,500 supports a far lower limit as an average for the 60 homes.

As previously discussed for the Calabria tract, there was a standard sale of a 5,108 s.f. home on a 20,254 s.f. lot that closed in March 2012 at the price of \$1,040,000. The home was well upgraded and in good condition, and included pool/spa, 4-car garage and good views. Considering the fairly similar size to the average of the 60 homes, but the slightly superior upgraded condition and more desirable tract, the indication at \$1,040,000 tends to support a close upper limit as an average for the 60 subject homes.

Also as previously discussed for the Serenity tract, there was a standard sale of a 4,773 s.f. home on a 20,269 s.f. lot that closed in May 2012 at the price of \$1,100,000. This was a well upgraded home in good condition that also had highly improved front and back yards including pool/spa, covered patio and outdoor kitchen. While the size is significantly smaller than the average of the subject homes, the highly upgraded condition is superior to the overall subject tract. Thus, the indication at \$1,100,000 tends to support a firm upper limit as an average for the 60 homes.

VALUATION, Continuing

Lastly, the five standard sales that were previously discussed in the Sanctuary tract indicate the price range from \$940,000 to \$1,210,000 or an average of \$1,057,000 for homes ranging in size from 4,435 s.f. to 5,153 s.f. or an average of 4,715 s.f. The much smaller average size is mostly offset by the slightly greater desirability of the Sanctuary tract, as well as the typically superior condition of the homes. Thus, the indication at \$1,057,000 tends to support a firm upper limit as an average for the 60 subject homes.

In summary, as an average for the 60 completed-sold homes, the sales data from within and outside of the subject tract supports a far lower limit at \$912,500, a close indication at \$1,027,000, and firm upper limits ranging from \$1,028,000 to \$1,100,000. It is evident that the original builder sales, particularly those that closed in 2009 at the lower prices from \$735,000 to \$1,101,000, were on the conservative side and likely reflected a motivated builder/seller. Thus, greater weight is given to the resales in the subject tract than the original builder sales, and the conclusion for the 60 homes is an average of \$1,020,000. This results in the following:

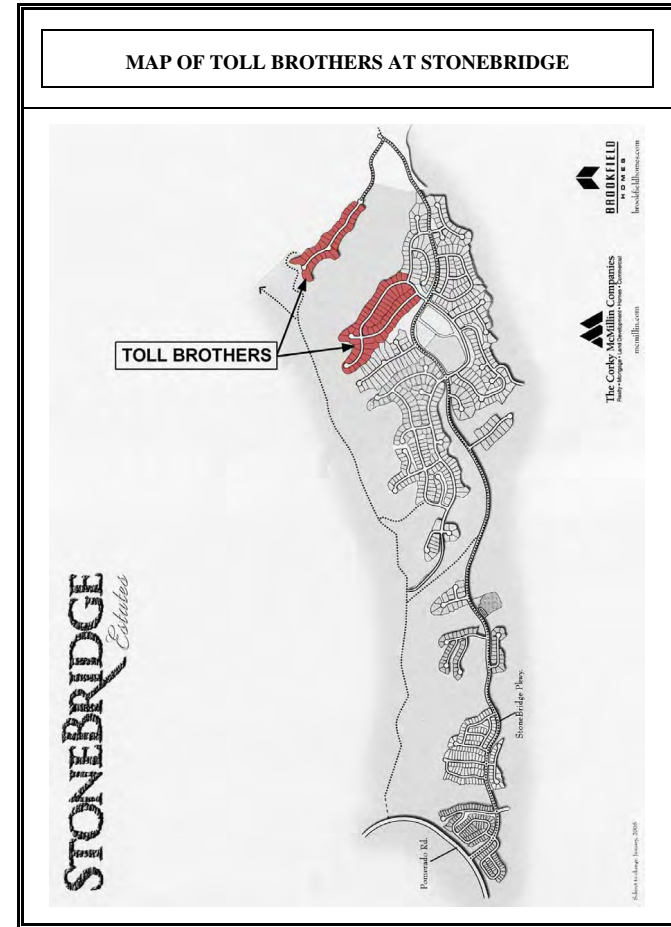
60 completed-sold homes @ \$1,020,000 = \$61,200,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Scripps Preserve tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$61,200,000

(SIXTY-ONE MILLION TWO HUNDRED THOUSAND DOLLARS)



TOLL BROTHERS AT STONEBRIDGE

PROPERTY DATA

Location

The west part of this tract is located on Punta Dulcina and Big Canyon Ln. northwesterly of Cobblecreek Ln. and the east part of the tract is located on Via Santa Pradera northwesterly of Stonebridge Pkwy.

Record Owner/Ownership History

Of the 104 total lots comprising this overall tract, only 23 of the lots in the 71 lots comprising the west part of the tract are in the category of "developed property" (building permit issued as of May 1, 2012) and thus included in this appraisal. As of the October 1, 2012 date of value, individual homeowners owned 11 of the lots and the remaining 12 lots were owned by Toll CA XIX, L.P. (known by the builder name of Toll Brothers).

Toll Brothers purchased the 71 lots from Brookfield 10 LLC by deed recorded in December 2010 at an indicated price of \$20,000,000. The sales of the 11 homes (Lots 346 to 353, 355, 358 & 359) from Toll CA XIX, L.P. to the various homeowners closed from June 6, 2012 through September 19, 2012 at indicated prices ranging from \$868,500 to \$1,077,000.

Legal Description

The 23 lots included in this appraisal are described as Lots 337 to 355, 358, 359, 379 & 380 of Sycamore Estates Phase II, Unit 7, in the City of San Diego, County of San Diego, according to Map No. 15129.

Assessor Data

The 23 lots included in this appraisal comprise Assessor Parcel Nos. 325-150-26 to 44, 47, 48, 68 & 69. Current assessed values range from \$255,000 to \$955,000, or an average of \$358,957. The tax rate area is 08-122 which indicates a current tax rate of 1.02215%, but the total effective tax rate to existing and future homeowners is indicated to be 1.6% to 1.7% including the special taxes for the CFDs.

No. of Lots/Lot Sizes

This overall tract comprises a total of 104 lots, with 71 lots in the west part of the tract and 33 lots in the east part. However, only 23 lots are included in this appraisal. The lots have a minimum and typical pad size of $\pm 100'$ by $\pm 120'$ or $\pm 12,000$ s.f. However, the actual sizes of the 23 lots range from 15,882 s.f. to 33,541 s.f., or an average of 20,925 s.f., but including side and/or rear slopes.

PROPERTY DATA, Continuing

Topography/View

The lots in the west part of the overall tract have a gradual terrace down to the north, and about half of the lots back to open space, though only about 35% of the lots have territorial views. All of the lots in the northeast segment back to canyon/open space and have territorial views.

Existing Development/Status of Construction

The 23 lots included in this appraisal have been or are being developed with a product type of homes called Toll Brothers at StoneBridge. As of the October 1, 2012 date of value, there were 11 completed-sold homes (closed sales), 3 completed-unsold homes (including the 2 models) and 9 homes under construction that were about 90% completed.

There are eight floor plans of homes, with builder information as follows:

Santa Fe: 4,022 s.f., single story, with 4 bedrooms, $4\frac{1}{2}$ baths, and 4-car garage; option of library in lieu of bedroom 4.

La Jolla: 4,154 s.f., single story, with 3 bedrooms, $3\frac{1}{2}$ baths, bonus room, study and 3-car garage; options of guest casita, 4th bedroom in lieu of bonus room, 4-car garage.

Coronado: 4,283 s.f., two story, with 5 bedrooms, $4\frac{1}{2}$ baths, bonus room, study and 4-car garage; options of 6th bedroom and deck at master bedroom.

Balboa: 4,358 s.f., two story, with 4 bedrooms, $4\frac{1}{2}$ baths, study and 4-car garage; options of guest casita and deck at master bedroom.

Pasadena: 4,341 s.f., single story, with 4 bedrooms, $3\frac{1}{2}$ baths, bonus room, study and 4-car garage; options of guest casita and 5th bedroom in lieu of bonus room.

San Clemente: 4,584 s.f., two story, with 5 bedrooms, $5\frac{1}{2}$ baths, study and 4-car garage; options of bonus room over dining room, dual master suite and deck at master bedroom.

Point Loma: 4,760 s.f., two story, with 5 bedrooms, $5\frac{1}{2}$ baths, study and 3-car garage; options of bonus room, dual master suite and deck at master bedroom.

Santa Barbara: 5,006 s.f., two story, with 5 bedrooms, $5\frac{1}{2}$ baths, study and 4-car garage; options of bonus room, dual master suite and deck at master bedroom.

Per building permit data, the 11 completed-sold homes range in size from 4,010 s.f. to 4,583 s.f. or an average of 4,323 s.f.; the 3 completed-unsold homes are sizes of 4,442 s.f., 4,629 s.f. and 4,891 s.f. or an average of 4,654 s.f.; and the 9 homes under construction range in size from 4,298 s.f. to 4,442 s.f. or an average of 4,363 s.f.

VALUATION

Method of Analysis

The analysis of the completed-sold homes is similar to previous analyses. For the completed-unsold homes, the analysis considers a discount due to the bulk ownership by the builder with the discount reflecting holding/sales costs plus profit in order to sell off the homes. For the homes under construction, a simplified Cost Approach is used in which the value is based on an estimate of construction costs expended plus the estimated value of the vacant lot as if in finished condition. The analysis of the vacant lot value as if in finished condition is based on the Sales Comparison Approach, considering several pertinent sales including the recent sale of the subject lots.

Analysis of Completed-Sold Homes

These are the 11 homes for which the builder sales recently closed from June 6, 2012 through September 19, 2012. The indicated range of sale prices is \$868,500 to \$1,077,000 or an average of ±\$991,000, reflecting an average home size of 4,323 s.f. Considering that the market for these relatively higher-priced new homes has been firming up over the past 6 months or so, this indication at \$991,000 tends to support a close indication to close lower limit at current date as an average for these homes.

It is also noted there are current escrows on 5 of the subject homes under construction as well as on the completed-unsold production home. The sale prices for these 6 homes range from \$990,419 to \$1,290,442 or an average of \$1,104,000 for an average home size of 4,377 s.f. Considering that the average size of 4,377 s.f. is only slightly larger than the average of 4,323 s.f. for the completed-sold homes, these sales tend to support the strengthening in prices since the first closed sales took place. In addition, the indication at \$1,104,000 supports a close indication to close upper limit as an average for the 11 completed-sold homes.

As discussed next, the base pricing for new homes in the Bellasario tract ranges from \$885,900 to \$1,176,900 or an average of ±\$986,000 for an average home size of 4,616 s.f. It is noted that this is the base pricing that does not include buyer options and premiums that typically add \$50,000 or more. In addition, the lots in this tract are generally inferior to the subject lots in terms of view and/or backing to open space. Thus, these factors are more than offsetting to the larger average home size of 4,616 s.f., and the indication at \$986,000 supports a firm lower limit as an average for the subject 11 homes.

Lastly, considering the greater desirability of the subject tract with new homes, the sales data that has been discussed in previous analyses supports far lower limits for the subject homes from \$910,000 to \$980,000, closer indications in the range of \$1,000,000 to \$1,100,000, and firm to far upper limits from \$1,040,000 to \$1,210,000.

VALUATION, Continuing

In summary, the indications of average value for the 11 completed-sold homes support firm lower limits from \$910,000 to \$980,000, a close indication to close lower limit at \$991,000, close indications in the range of \$1,000,000 to \$1,100,000, a close indication to close upper limit at \$1,104,000, and firm to far upper limits from \$1,040,000 to \$1,210,000. The conclusion is an average value of \$1,050,000 for the 11 completed-sold homes.

Analysis of Completed-Unsold Homes

These 3 homes consist of the 2 model homes and a production home with sizes of 4,442 s.f., 4,629 s.f. and 4,891 s.f. or an average of 4,654 s.f. The model homes consist of the La Jolla and San Clemente floor plans. It is noted that this average size is much larger than the average of 4,323 s.f. for the completed-sold homes.

For conservative valuation purposes, the value conclusion for these 3 homes is the same as for the completed-sold homes. Then, a possible discount to the value of these homes reflecting the bulk ownership by the builder for holding/sales costs plus profit is offset by the larger average size, the highly upgraded models comprising 2 of the homes, and the pending sale of the production home that is due to close by the end of October. Thus, the conclusion for these three homes is an average of \$1,050,000 with no discount.

Analysis of Homes Under Construction

For the 9 homes that were under construction and estimated to be ±90% completed, I have considered a cost amount of 90% of ±\$60.00 per s.f. direct or hard construction costs, or ±\$54.00 per s.f. on the average home size of 4,363 s.f., or an amount rounded to \$240,000. This is added to the estimated value of \$390,000 for the vacant lot in finished condition, as discussed next, resulting in a total of \$630,000 for these 9 homes.

Analysis of Vacant Lot Value

As previously indicated, the 71 lots comprising the westerly part of the overall subject tract were purchased by Toll Brothers in December 2010 at a price of \$20,000,000 or \$281,690 per lot, with finished lots estimated at \$318,000 per lot. Then, the 33 lots comprising the easterly part of the overall tract were purchased by Toll Brothers in May 2011 at the price of \$10,900,000 or \$330,303 per lot, with finished lots estimated at \$365,000 per lot. It appears that the higher price for the 33 lots is partially due to the later date of sale and smaller bulk size of lots, but also due to the larger lot sizes and all lots having view/backing to open space. The indication at \$318,000 per finished lot supports a firm lower limit for the subject at current date, and the indication at \$365,000 per finished lot supports a closer indication to close upper limit.

VALUATION, Continuing

As discussed next for the Bellasario tract, those 47 lots were purchased by Standard Pacific in June 2011 at the price of \$14,280,000 or \$303,830 per lot, with finished lots estimated at \$335,000 per finished lot. These lots are considered to be slightly inferior to the subject lots in terms of the view and backing to open space, thus the indication at \$335,000 per finished lot tends to support a close indication to close lower limit for the subject.

Another sale of relatively large lots that is of interest was of the sale of the 25 lots, 12,000 s.f. minimum size, that are located at the northerly end of the community of 4S Ranch, about 10 miles to the northwest of the subject property. These lots sold to California West Communities in May 2011 at a price reflecting \$360,000 per finished lot. The planned tract of homes is called Mission Ranch, with home sizes ranging from 4,238 s.f. to 4,710 s.f., with pricing starting from the mid-\$900,000's. This sale is considered to be fairly similar to the subject, supporting a close indication at \$360,000 per finished lot.

However, I am also aware of a more recent sale of $\pm 8,000$ s.f. minimum lots in The Lakes Above Rancho Santa Fe community, westerly of 4S Ranch, that took place in May 2012 at a price reflecting $\pm \$350,000$ per finished lot. The homes were planned to be $\pm 2,800$ s.f. to 4,000 s.f. with projected pricing from the low \$700,000's to the mid \$800,000's, indicating a finished lot ratio of $\pm .44$. Initially, this would tend to support a far lower limit for the subject at \$350,000 per finished lot due to the much smaller lots that are planned for much lower-priced homes, though that product tends to be more marketable with a likely higher absorption. Of interest, the finished lot ratio of .44 indicates the following for the subject:

$$\$1,050,000 \text{ average home pricing} \times .44 \text{ finished lot ratio} = \$462,000/\text{finished lot}$$

In addition, there was a sale of 44 lots, 5,000 s.f. minimum size, located on Torrey Meadows Dr. in the Torrey Highlands area, that closed in October 2011 to Pulte Homes at a price reflecting \$420,000 per finished lot. These lots were planned to be developed with homes ranging from 2,606 s.f. to 2,977 s.f. with pricing in the mid \$700,000's, indicating a finished lot ratio of $\pm .56$. While the lots are much smaller than the subject lots and planned for much smaller and lower-priced homes, the location is considered to be superior with the potential for far superior absorption, resulting in the relatively high price paid for the lots. Thus, this sale tends to support a firm upper limit for the subject at \$420,000 per finished lot.

In summary, on a finished lot basis, the data supports the wide range of indications for the subject lots from \$318,000 to \$462,000. For conservative valuation purposes, the conclusion is near the mid-portion of the range, or a conclusion of \$390,000 per finished lot.

VALUATION, Continuing

Conclusion of Value

Based on the foregoing, the value indication for the subject property in its as is condition, is calculated as follows:

11 completed-sold homes @ \$1,050,000 =	\$11,550,000
3 completed-unsold homes @ \$1,050,000 =	\$ 3,150,000
9 homes under construction @ \$630,000 =	<u>\$ 5,670,000</u>

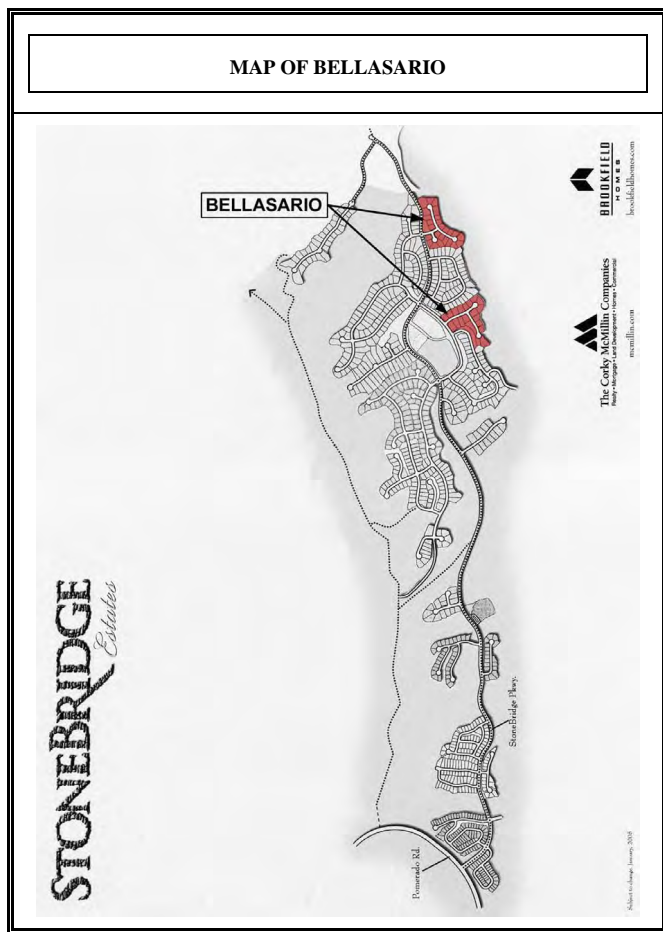
Value Indication, As Is: \$20,370,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of Toll Brothers at StoneBridge tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$20,370,000

(TWENTY MILLION THREE HUNDRED SEVENTY THOUSAND DOLLARS)

As noted above, the allocation of the total value conclusion to the individual owners (completed-sold homes) is \$11,550,000 and the allocation to the builder ownership (completed-unsold homes and homes under construction) is \$8,820,000.



BELLASARIO

PROPERTY DATA

Location

The west part of this tract is located on the southeast side of Sycamore Trail Rd. at Stonemont Pt. and the east part of the tract is located on the south side of Stonebridge Pkwy. at Cobblecreek Ln.

Record Owner/Ownership History

Of the 47 total lots comprising this overall tract, only 11 of the lots are in the category of “developed property” (building permit issued as of May 1, 2012) and thus included in this appraisal. As of the October 1, 2012 date of value, all 11 lots were owned by Standard Pacific Corp. They acquired all 47 lots by deed recorded in June 2011 at an indicated price of \$14,280,000.

Legal Description

The 11 lots included in this appraisal are described as Lots 292, 293, 310 & 311 of Sycamore Estates Phase II Unit 6 according to Map thereof No. 15128; Lots 499, 512 & 513 of Sycamore Estates Phase II Unit 10 according to Map thereof No. 15132; and Lots 1, 2, 6 & 7 of Amended Map of Sycamore Estates Phase II Unit 10 according to Map thereof No. 15563; City of San Diego, County of San Diego.

Assessor Data

The 11 lots included in this appraisal comprise Assessor Parcel Nos. 325-121-01, 02, 19 & 20 and 325-131-08, 21, 22, 34, 35, 39 & 40. Current assessed values range from \$306,000 to \$315,180 for land only and \$0 for improvements. The tax rate area is 08-155 which indicates a current tax rate of 1.02215%, but an effective tax rate of approximately 1.6% to 1.8% including special taxes for the CFDs.

No. of Lots/Lot Sizes

This overall tract comprises a total of 47 lots, with 20 lots in the west part of the tract and 27 lots in the east part. However, only 11 lots are included in this appraisal. The lots have a minimum and typical pad size of $\pm 100'$ by $\pm 120'$ or $\pm 12,000$ s.f. However, the actual sizes of the 11 lots range from 14,396 s.f. to 31,799 s.f., or an average of 20,580 s.f., but including side and/or rear slopes.

Topography/View

The lots in the west part of the tract terrace slightly down to the south, and only a few of the lots back to canyon/open space and have territorial views. About half of

PROPERTY DATA, Continuing

the lots in the east part of the tract back to canyon/open space and have territorial views.

Existing Development/Status of Construction

The 11 lots included in this appraisal have been or are in the process of being developed with a product type of homes called Bellasario. As of the October 1, 2012 date of value, there were 3 completed-unsold homes (models), 5 homes under construction that were about 80-90% completed, and 3 vacant lots in near finished condition.

There are three floor plans of homes, with builder information as follows:

Plan 1: 4,180 to 4,448 s.f., single story, with 4 bedrooms, 3½ baths, library, master retreat and 4-car garage; optional den at bedroom and super pantry.

Plan 2: 4,615 to 4,839 s.f., two story, with 5 bedrooms, 4½ baths, bonus room, office and 3-car garage; optional guest cottage, cabana and 4-car garage.

Plan 3: 4,951 to 5,155 s.f., two story, with 5 bedrooms, 4½ baths, bonus room, club room and 4-car garage; optional guest suite at bedroom 4, bedroom 6 at bonus room and master retreat.

Per building permit data, the 3 completed-unsold homes are sizes of 4,180 s.f., 4,625 s.f. and 4,977 s.f. or an average of 4,594 s.f., and the 5 homes under construction range in size from 4,180 s.f. to 4,995 s.f. or an average of 4,594 s.f.

VALUATION

Method of Analysis

This is the same as Toll Brothers at StoneBridge.

Analysis of Completed-Unsold Homes

These are the 3 model homes which are one each of the floor plans, and without the optional or additional living area, with an average size of 4,594 s.f. It is noted that there are pending sales on 3 of the homes currently under construction, with 7 additional reservations. The sales are taking place at the listed or asking prices, and then buyers are typically adding \$50,000 or more in upgrades and options. The listed base prices on 13 of the homes range from \$885,900 to \$1,176,900 or an average of ±\$986,000 for an average home size of 4,616 s.f. Considering that this average size is only slightly larger than the average of the completed-unsold homes, but also that this is base pricing and the 3 homes are the highly upgraded models, the indication at \$986,000 supports a firm lower limit as an average for the 3 homes.

VALUATION, Continuing

As previously discussed for the Toll Brothers at StoneBridge tract, the closed builder sales indicated the price range of \$868,500 to \$1,077,000 or an average of ±\$991,000 for an average home size of 4,323 s.f. However, the pending sales have prices ranging from \$990,419 to \$1,290,442 or an average of \$1,104,000 for an average home size of 4,377 s.f., indicating an increase in the pricing. Considering the smaller average home sizes, but also the slightly greater desirability of that tract, the indication at \$1,104,000 would tend to support a close indication to close upper limit as an average for the 3 subject homes.

Lastly, considering the greater desirability of the subject tract with new homes, the sales data that has been discussed in previous analyses supports far lower limits for the subject homes from \$910,000 to \$980,000, closer indications in the range of \$1,000,000 to \$1,100,000, and firm to far upper limits from \$1,040,000 to \$1,210,000.

The conclusion is an average value of \$1,000,000 for the 3 completed-sold homes, with a possible discount for the bulk ownership by the builder being offset by the highly upgraded condition of the model homes.

Analysis of Homes Under Construction

For the 5 homes that were under construction and estimated to be ±80-90% completed, I have considered a cost amount of 85% of ±\$60.00 per s.f. direct or hard construction costs, or ±\$51.00 per s.f. on the average home size of 4,594 s.f., or an amount rounded to \$230,000. This is added to the estimated value of \$380,000 for the vacant lot in finished condition, as discussed next, resulting in a total of \$610,000 for these 5 homes.

Analysis of Vacant Lot Value

The discussion and analysis is similar to that for the previous Toll Brothers at StoneBridge tract. As these subject Bellasario lots are considered to be slightly inferior in terms of location/view/backing to open space, the conclusion is slightly lower, or a value conclusion of \$380,000 on a finished lot basis. It is noted that this value would apply to the lots under the homes currently under construction. However, a value of \$350,000 per lot is applied to the vacant lots to reflect a deduction for remaining costs as well as fees to be paid to get to finished lot condition.

VALUATION, Continuing

Conclusion of Value

Based on the foregoing, the value indication for the subject property in its as is condition, is calculated as follows:

3 completed-unsold homes @ \$1,000,000 =	\$3,000,000
5 homes under construction @ \$610,000 =	\$3,050,000
3 vacant lots @ \$350,000 =	<u>\$1,050,000</u>

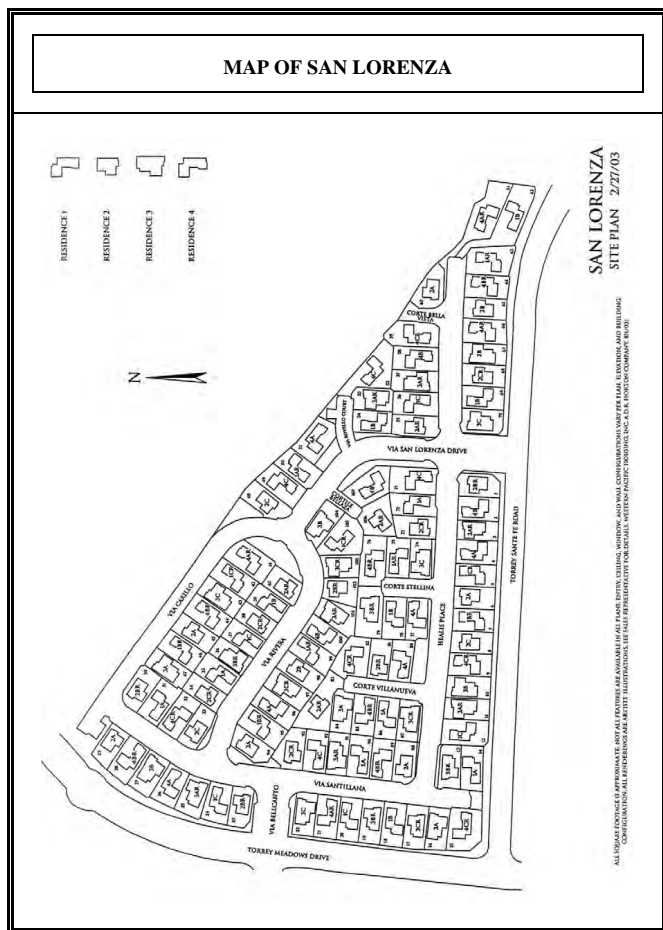
Value Indication, As Is: \$7,100,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of Bellasario tract, subject to the Assumptions and Limiting Conditions, and as of October 1, 2012:

\$7,100,000

(SEVEN MILLION ONE HUNDRED THOUSAND DOLLARS)

CFD NO. 10, IMPROVEMENT AREA C



SAN LORENZA

PROPERTY DATA

This product type is located at the northeast corner of Torrey Santa Fe Rd. and Torrey Meadows Dr.

This product type is described as Lots 1 through 107 of Shaw Property Unit 2, County of San Diego, according to Map No. 14576, recorded April 22, 2003. The 107 lots comprise Assessor Parcel Nos. 306-380-01 to 59 and 306-381-01 to 48, and the assessed values range from \$271,124 to \$588,000.

This product type comprises a total of 107 lots. The minimum lots size is $\pm 3,000$ s.f., and the typical size is between 3,000 s.f. and 3,500 s.f.

These lots were developed in 2003 with 107 homes called San Lorenzo by Western Pacific Housing. There are four floor plans, and per builder information the size and description of each plan is as follows:

Plan 1: 1,813-1,968 s.f., two-story, with 3 bedrooms, 2½ baths, living room, family room, dining area and a 2-car garage; optional master retreat and loft.

Plan 2: 1,933 s.f., two-story, with 4 bedrooms, 2½ baths, living room, dining room, great room, nook and a 2-car garage; optional loft.

Plan 3: 2,170 s.f., two-story, with 4 bedrooms, 2½ baths, living room, dining room, family room, nook and a 2-car garage.

Plan 4: 2,316 s.f., two-story, with 4 bedrooms, 3½ baths, living room, dining room, family room, nook and a 2-car garage.

Per building permit data, the homes in this product type range in size from 1,793 s.f. to 2,316 s.f. or an average of 2,065 s.f.

ANALYSIS

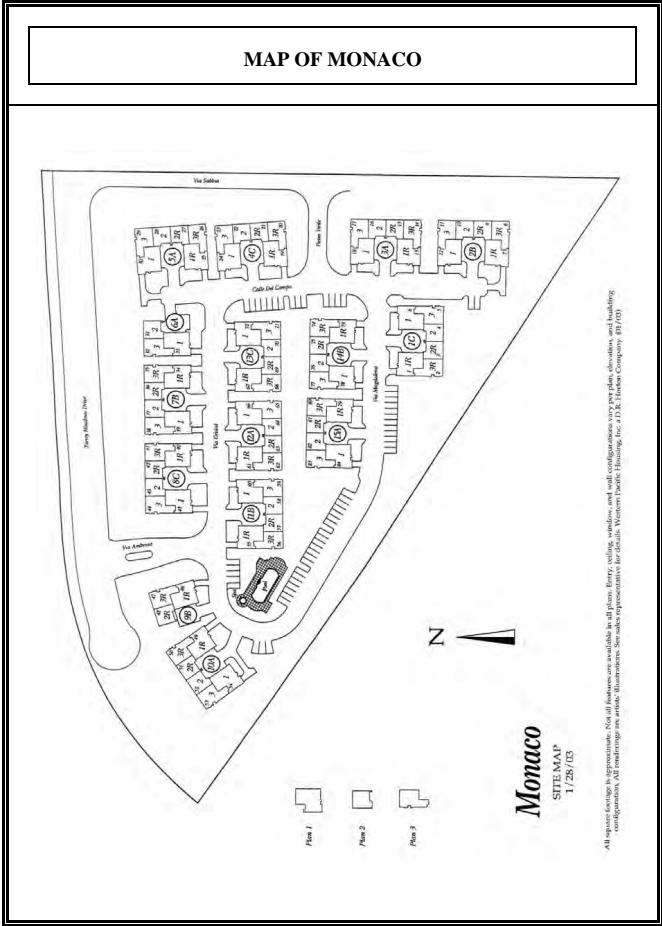
Per the spreadsheet on the following page, the following data is indicated:

- Total A.V. for product type: \$50,952,248
- Average A.V. for product type: \$476,189
- Variance from sale price to A.V.: -2.1% to +31.8%, or avg. of +10.2%

It is noted that of the 6 sales, 5 were standard sales and 1 was a short sale, thus on average these sales would tend to be fairly representative of market value. It is also noted that the short sale indicated a variance of 0.0% while the standard sales indicated the variances from -2.1% to +31.8% or an average of +12.3%.

<u>APN</u>	<u>SE</u>	<u>AV</u>	<u>SALE</u> <u>DATE</u>	<u>SALE</u> <u>TYPE</u>	<u>PRICE</u>	<u>VAR.-AV</u>
306-380-01-00	1,933	410,000				
306-380-02-00	2,316	539,000				
306-380-03-00	2,171	449,000				
306-380-04-00	2,316	564,500				
306-380-05-00	1,793	400,000				
306-380-06-00	1,933	432,000				
306-380-07-00	1,793	423,000	Sep-12	Standard	523,000	+23.6%
306-380-08-00	1,933	432,000				
306-380-09-00	2,316	554,141				
306-380-10-00	2,171	533,990				
306-380-11-00	2,171	517,000				
306-380-12-00	1,793	512,000				
306-380-13-00	2,171	517,000				
306-380-14-00	1,793	493,000				
306-380-15-00	2,316	271,124				
306-380-16-00	2,171	456,000				
306-380-17-00	2,171	426,000				
306-380-18-00	1,793	539,028				
306-380-19-00	2,171	454,000				
306-380-20-00	1,793	408,000				
306-380-21-00	2,316	477,000				
306-380-22-00	2,171	434,000				
306-380-23-00	2,316	542,847	Aug-12	Standard	591,000	+8.9%
306-380-24-00	1,793	401,000				
306-380-25-00	1,933	504,000				
306-380-26-00	2,171	433,000				
306-380-27-00	1,793	495,000				
306-380-28-00	2,316	526,000				
306-380-29-00	2,316	588,000				
306-380-30-00	1,793	427,000				
306-380-31-00	2,171	551,143				
306-380-32-00	2,316	564,000				
306-380-33-00	1,933	436,000				
306-380-34-00	2,316	444,000	Sep-12	Standard	585,000	+31.8%
306-380-35-00	1,933	438,000				
306-380-36-00	2,171	535,500				
306-380-37-00	2,316	479,000				
306-380-38-00	1,793	548,504				
306-380-39-00	2,171	414,000				
306-380-40-00	1,933	416,000				
306-380-41-00	2,316	440,000				
306-380-42-00	1,793	420,000				
306-380-43-00	2,171	580,336				
306-380-44-00	2,316	570,000				
306-380-45-00	1,933	540,000				
306-380-46-00	1,933	520,000				
306-380-47-00	1,813	428,000				
306-380-48-00	2,316	468,000				
306-380-49-00	2,170	478,000				
306-380-50-00	1,933	423,000				
306-380-51-00	1,813	438,000				
306-380-52-00	2,316	466,000				
306-380-53-00	2,170	555,652				
306-380-54-00	1,933	416,000				
306-380-55-00	2,171	454,000				
306-380-56-00	2,171	442,000				
306-380-57-00	1,793	418,000				
306-380-58-00	1,933	425,000				

<u>APN</u>	<u>SE</u>	<u>AV</u>	<u>SALE</u> <u>DATE</u>	<u>SALE</u> <u>TYPE</u>	<u>PRICE</u>	<u>VAR.-AV</u>
306-380-59-00	2,316	450,000				
306-381-01-00	1,933	433,000				
306-381-02-00	1,813	421,000				
306-381-03-00	2,170	446,000				
306-381-04-00	2,316	549,000				
306-381-05-00	2,170	517,000				
306-381-06-00	2,316	458,000				
306-381-07-00	1,933	435,000				
306-381-08-00	1,933	540,000				
306-381-09-00	1,813	469,199				
306-381-10-00	2,316	453,000				
306-381-11-00	1,933	479,000				
306-381-12-00	1,933	443,000				
306-381-13-00	2,170	417,000				
306-381-14-00	2,170	583,603				
306-381-15-00	1,813	440,000				
306-381-16-00	1,933	451,000				
306-381-17-00	1,813	544,065				
306-381-18-00	1,933	444,000				
306-381-19-00	2,316	576,185				
306-381-20-00	1,813	509,143				
306-381-21-00	2,170	452,000				
306-381-22-00	2,316	463,000				
306-381-23-00	1,933	500,000				
306-381-24-00	1,813	420,000				
306-381-25-00	2,170	454,000				
306-381-26-00	1,933	528,953				
306-381-27-00	2,316	442,000				
306-381-28-00	1,793	401,000				
306-381-29-00	2,316	478,000	Mar-12	Short	478,000	0.0%
306-381-30-00	2,316	570,000				
306-381-31-00	2,170	500,000				
306-381-32-00	1,813	436,000				
306-381-33-00	1,933	457,000				
306-381-34-00	1,813	426,000				
306-381-35-00	2,170	530,000	Sep-12	Standard	545,000	-0.7%
306-381-36-00	2,316	549,000				
306-381-37-00	2,316	354,336				
306-381-38-00	1,933	450,000				
306-381-39-00	2,316	559,178				
306-381-40-00	1,813	433,000				
306-381-41-00	1,813	535,000				
306-381-42-00	2,316	551,821	Jun-12	Standard	540,000	-2.1%
306-381-43-00	1,933	479,000				
306-381-44-00	2,316	549,000				
306-381-45-00	2,171	560,000				
306-381-46-00	1,933	443,000				
306-381-47-00	1,793	461,000				
306-381-48-00	2,170	445,000				
TOTAL		50,952,248			3,262,000	
NO. PARCELS		107			6	
AVERAGE		476,189			543,667	+10.2%
MINIMUM						-2.1%
MAXIMUM						+31.8%



MONACO

PROPERTY DATA

This product type is located at the southwest corner of Torrey Meadows Dr. and Via Sabbia, extending southwest to the 56 (Ted Williams) Freeway.

This product type is described as Units 1 through 84 of the Condominium Plan of Monaco, recorded June 9, 2003, and situated within Modules A and B on Lot 1 of Map No. 14599 of County of San Diego, recorded May 23, 2003. The 84 units comprise Assessor Parcel Nos. 306-400-06-01 to 18, 306-400-07-01 to 12, 306-400-08-01 to 09, 306-400-09-01 to 12, 306-400-10-01 to 12, 306-400-11-01 to 18 and 306-400-12-01 to 03. The assessed values range from \$215,933 to \$471,492.

This product type comprises a total of 84 attached residential units, thus there are not individual lots or lot sizes. On the ± 6.95 acre site, this indicates a density of ± 12.1 units per acre.

The site was developed in 2003 with 84 attached townhomes called Monaco by Western Pacific Housing. There are three floor plans, and per builder information the size and description of each plan is as follows:

Plan 1: 1,044 s.f., one story, with 2 bedrooms, 2 baths, living room/dining room, and 1-car garage below the living area.

Plan 2: 1,238 s.f., two-story, with 2 bedrooms, 2½ baths, living room, dining room, 1-car garage and small yard area.

Plan 3: 1,534 s.f., two-story, with 3 bedrooms, 2½ baths, living room, dining room, nook, 2-car split garage and small yard area.

Per building permit data, the homes in this product type range in size from 1,044 s.f. to 1,534 s.f. or an average of 1,272 s.f.

ANALYSIS

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

• Total A.V. for product type:	\$25,263,126
• Average A.V. for product type:	\$300,752
• Variance from sale price to A.V.:	-17.5% to +5.9%, or avg. of -2.0%

It is noted that of the 9 sales, 8 were short sales and 1 was a lender sale. Thus, on average the sale prices would tend to be well on the conservative side, and the indication of an average variance from sale price to A.V. of -2.0% reflects this negative impact.

<u>APN</u>	<u>SF</u>	<u>AV</u>	<u>SALE</u> <u>DATE</u>	<u>SALE</u> <u>TYPE</u>	<u>PRICE</u>	<u>VAR.-AV</u>
306-400-06-01	1,044	252,000				
306-400-06-02	1,534	342,000				
306-400-06-03	1,238	315,000				
306-400-06-04	1,238	352,635				
306-400-06-05	1,534	311,000				
306-400-06-06	1,044	252,000				
306-400-06-07	1,044	245,000	Feb-12	Lender	245,000	0.0%
306-400-06-08	1,534	293,000				
306-400-06-09	1,238	277,000				
306-400-06-10	1,238	315,000				
306-400-06-11	1,534	312,000				
306-400-06-12	1,044	238,000				
306-400-06-13	1,044	255,000				
306-400-06-14	1,534	336,000				
306-400-06-15	1,238	315,000	Jun-12	Short	260,000	-17.5%
306-400-06-16	1,238	272,000				
306-400-06-17	1,534	420,000				
306-400-06-18	1,044	234,000	Apr-12	Short	234,000	0.0%
306-400-07-01	1,044	240,000	Feb-12	Short	240,000	0.0%
306-400-07-02	1,534	341,000				
306-400-07-03	1,238	315,000				
306-400-07-04	1,238	215,933				
306-400-07-05	1,534	307,000				
306-400-07-06	1,044	280,500				
306-400-07-07	1,044	247,000				
306-400-07-08	1,534	309,000				
306-400-07-09	1,238	315,000				
306-400-07-10	1,238	278,000				
306-400-07-11	1,534	367,199				
306-400-07-12	1,044	300,000				
306-400-08-01	1,238	315,000				
306-400-08-02	1,534	325,000				
306-400-08-03	1,044	257,000				
306-400-08-04	1,044	302,258				
306-400-08-05	1,534	311,000				
306-400-08-06	1,238	315,000	Pending	Short	280,000	-11.1%
306-400-08-07	1,238	337,078				
306-400-08-08	1,534	330,000	Apr-12	Short	349,500	+5.9%
306-400-08-09	1,044	249,000				
306-400-09-01	1,044	250,000				
306-400-09-02	1,534	318,000				
306-400-09-03	1,238	273,000				
306-400-09-04	1,238	270,000	Apr-12	Short	270,000	0.0%
306-400-09-05	1,534	390,000				
306-400-09-06	1,044	240,000				
306-400-09-07	1,044	240,000				
306-400-09-08	1,534	310,000				
306-400-09-09	1,238	278,000				
306-400-09-10	1,238	270,000	Feb-12	Short	270,000	0.0%
306-400-09-11	1,534	341,000				
306-400-09-12	1,044	311,593				
306-400-10-01	1,044	300,000				
306-400-10-02	1,534	322,000				
306-400-10-03	1,238	315,000				
306-400-10-04	1,238	315,000				
306-400-10-05	1,534	336,000				
306-400-10-06	1,044	253,000				
306-400-10-07	1,044	254,000				

<u>APN</u>	<u>SF</u>	<u>AV</u>	<u>SALE</u> <u>DATE</u>	<u>SALE</u> <u>TYPE</u>	<u>PRICE</u>	<u>VAR.-AV</u>
306-400-10-08	1,534	331,000				
306-400-10-09	1,238	270,000				
306-400-10-10	1,238	315,000				
306-400-10-11	1,534	329,000				
306-400-10-12	1,044	253,000				
306-400-11-01	1,044	248,000				
306-400-11-02	1,534	350,000				
306-400-11-03	1,238	302,258				
306-400-11-04	1,238	300,000				
306-400-11-05	1,534	339,000	Jun-12	Short	355,000	+4.7%
306-400-11-06	1,044	250,000				
306-400-11-07	1,044	302,258				
306-400-11-08	1,534	325,000				
306-400-11-09	1,238	315,000				
306-400-11-10	1,238	270,000				
306-400-11-11	1,534	390,000				
306-400-11-12	1,044	240,000				
306-400-11-13	1,044	294,198				
306-400-11-14	1,534	471,492				
306-400-11-15	1,238	278,000				
306-400-11-16	1,238	315,000				
306-400-11-17	1,534	337,000				
306-400-11-18	1,044	297,724				
306-400-12-01	1,044	297,000				
306-400-12-02	1,534	348,000				
306-400-12-03	1,238	315,000				
TOTAL	25,263,126				2,503,500	
NO. PARCELS	84				9	
AVERAGE	300,752				278,167	-2.0%
MINIMUM						-17.5%
MAXIMUM						+5.9%

CFD NO. 10, IMPROVEMENT AREA D



AVALON POINT

PROPERTY DATA

This product type is located at the northwest corner of Torrey Meadows Dr. and Torrey Santa Fe Rd., extending north to the 56 (Ted Williams) Freeway.

This product type is described as Lots 1 through 142 of McMillin Torrey Highlands, County of San Diego, according to Map No. 14322, recorded December 24, 2001. The 142 lots comprise Assessor Parcel Nos. 306-360-01 to 56, 306-361-01 to 42 and 306-362-01 to 44, and the assessed values range from \$417,355 to \$852,719.

This product type comprises a total of 142 lots. The minimum lot size is 5,000 s.f., or 50' x 100'.

These lots were developed from 2003 through 2005 with 142 homes called Avalon Point by Shea Homes. There are four floor plans, and per builder information the size and description of each plan is as follows:

Plan 1: 2,529 s.f., two-story, with 4 bedrooms, 3 baths, great room, dining room, morning room and a 3-car tandem garage; optional den and expanded morning room or hobby room.

Plan 2: 2,758 s.f., two-story, with 3 bedrooms 3½ baths, tech area, den, living room, dining room, family room, nook and a 3-car tandem garage; optional master retreat or nursery, bedroom 4, bedroom 5/bath 4.

Plan 3: 2,889 s.f., two-story, with 5 bedrooms, 3½ baths, library, living room, dining room, family room, nook and a 3-car split garage; optional master retreat, tech room or jr. suite with retreat.

Plan 4: 3,141 s.f., two-story, with 5 bedrooms, 4½ baths, retreat, living room, dining room, family room, nook, courtyard and a 3-car tandem garage; optional teen room, den, and hobby room or bedroom 6/bath 5.

Per builder permit data, the homes in this product type range in size from 2,529 s.f. to 3,297 s.f. or an average of 2,862 s.f.

ANALYSIS

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

- Total A.V. for product type: \$89,914,457
- Average A.V. for product type: \$633,200
- Variance from sale price to A.V.: -18.7% to +5.6%, or avg. of -1.8%

It is noted that of the 5 sales, 3 were standard sales and 2 were short sales, thus on average the sale prices would tend to be at least slightly on the conservative side. This is evident by the standard sale prices indicating variances from +5.5% to +5.6% but the short sale prices indicating variances of -6.9% and -18.7%.

APN	SF	AV	SALE DATE	SALE TYPE	PRICE	VAR.-AV
306-360-01-00	2,758	587,000				
306-360-02-00	2,758	570,000				
306-360-03-00	2,889	586,000				
306-360-04-00	3,141	599,000				
306-360-05-00	2,529	519,000				
306-360-06-00	2,758	738,000				
306-360-07-00	3,090	751,000				
306-360-08-00	2,758	738,000	Apr-12	Short	600,000	-18.7%
306-360-09-00	2,529	570,000				
306-360-10-00	2,758	650,000				
306-360-11-00	2,889	683,105				
306-360-12-00	2,529	593,000				
306-360-13-00	2,889	654,000	May-12	Standard	690,000	+5.5%
306-360-14-00	3,141	810,000				
306-360-15-00	2,529	619,000				
306-360-16-00	3,141	710,000				
306-360-17-00	2,529	630,000				
306-360-18-00	2,758	698,000	Feb-12	Short	650,000	-6.9%
306-360-19-00	2,529	561,000				
306-360-20-00	2,758	501,000				
306-360-21-00	2,889	519,000				
306-360-22-00	2,529	680,000				
306-360-23-00	2,758	596,000				
306-360-24-00	3,141	790,000				
306-360-25-00	3,090	604,000				
306-360-26-00	3,141	800,000				
306-360-27-00	2,758	744,000				
306-360-28-00	2,889	626,000				
306-360-29-00	3,141	727,921				
306-360-30-00	2,758	529,000				
306-360-31-00	3,090	593,000				
306-360-32-00	2,529	616,000				
306-360-33-00	2,758	556,000				
306-360-34-00	3,141	576,000				
306-360-35-00	3,141	534,000				
306-360-36-00	2,758	724,200				
306-360-37-00	3,090	417,355				
306-360-38-00	2,758	608,000				
306-360-39-00	2,529	630,000				
306-360-40-00	3,141	710,000				
306-360-41-00	2,889	700,000				
306-360-42-00	3,141	558,000				
306-360-43-00	2,758	491,000				
306-360-44-00	2,529	630,000				
306-360-45-00	3,141	760,000				
306-360-46-00	3,141	648,000				
306-360-47-00	2,529	539,000				
306-360-48-00	3,141	710,000				
306-360-49-00	2,889	739,414				
306-360-50-00	3,090	710,000				
306-360-51-00	3,141	710,000				
306-360-52-00	2,529	649,641				
306-360-53-00	2,889	747,587				
306-360-54-00	3,141	551,000				
306-360-55-00	2,529	498,000				
306-360-56-00	3,090	563,000				
306-361-01-00	2,758	588,000				

			SALE	SALE		
APN	SE	AV	DATE	TYPE	PRICE	VAR-AV
306-361-02-00	2,529	549,000				
306-361-03-00	2,889	545,000				
306-361-04-00	3,141	710,000				
306-361-05-00	2,889	635,000				
306-361-06-00	2,529	669,000				
306-361-07-00	2,889	750,000				
306-361-08-00	2,529	595,000				
306-361-09-00	2,529	471,000				
306-361-10-00	2,758	502,000				
306-361-11-00	3,090	710,000				
306-361-12-00	3,141	549,000				
306-361-13-00	2,758	590,000				
306-361-14-00	2,889	741,750				
306-361-15-00	3,141	570,000				
306-361-16-00	2,758	734,400				
306-361-17-00	2,529	499,000				
306-361-18-00	2,889	689,058				
306-361-19-00	2,529	629,900				
306-361-20-00	2,758	597,000				
306-361-21-00	2,889	522,000				
306-361-22-00	2,758	540,000				
306-361-23-00	3,090	608,000				
306-361-24-00	2,758	596,000				
306-361-25-00	2,529	497,000				
306-361-26-00	3,141	542,000				
306-361-27-00	2,529	709,097				
306-361-28-00	2,758	551,000				
306-361-29-00	2,529	468,000				
306-361-30-00	2,758	582,000				
306-361-31-00	2,889	670,500				
306-361-32-00	2,758	698,000				
306-361-33-00	2,529	545,000				
306-361-34-00	3,141	585,000				
306-361-35-00	3,141	710,000				
306-361-36-00	3,090	568,000				
306-361-37-00	2,529	470,000				
306-361-38-00	2,889	751,798				
306-361-39-00	3,297	710,000				
306-361-40-00	2,529	493,000				
306-361-41-00	3,141	710,000	Jun-12	Standard	750,000	+5.6%
306-361-42-00	3,090	680,677				
306-362-01-00	2,758	629,000				
306-362-02-00	3,090	710,000				
306-362-03-00	3,141	765,000				
306-362-04-00	2,889	620,000				
306-362-05-00	3,141	632,000				
306-362-06-00	2,758	558,000				
306-362-07-00	2,529	581,000				
306-362-08-00	3,090	710,000	Mar-12	Standard	750,000	+5.6%
306-362-09-00	2,758	696,000				
306-362-10-00	2,529	576,000				
306-362-11-00	2,758	561,000				
306-362-12-00	3,141	796,620				
306-362-13-00	2,758	756,508				
306-362-14-00	2,529	585,000				
306-362-15-00	2,889	591,000				
306-362-16-00	3,141	710,000				

306-362-17-00	3,141	583,000				
306-362-18-00	3,090	557,000				
306-362-19-00	2,758	542,000				
306-362-20-00	3,141	694,789				
306-362-21-00	2,758	713,449				
306-362-22-00	2,529	656,132				
306-362-23-00	2,758	671,000				
306-362-24-00	2,889	651,000				
306-362-25-00	3,297	625,000				
306-362-26-00	2,758	515,000				
306-362-27-00	2,529	675,000				
306-362-28-00	3,090	816,000				
306-362-29-00	2,889	561,000				
306-362-30-00	3,141	710,000				
306-362-31-00	2,639	523,000				
306-362-32-00	2,758	668,000				
306-362-33-00	3,090	571,000				
306-362-34-00	3,141	710,000				
306-362-35-00	2,529	652,799				
306-362-36-00	3,141	710,000				
306-362-37-00	2,758	563,000				
306-362-38-00	2,889	753,000				
306-362-39-00	2,758	671,418				
306-362-40-00	3,141	686,620				
306-362-41-00	3,090	612,000				
306-362-42-00	3,141	852,719				
306-362-43-00	2,529	700,000				
306-362-44-00	3,141	710,000				
TOTAL		89,914,457				3,440,000
NO. PARCELS		142				5
AVERAGE		633,200				688,000
MINIMUM						-1.8%
MAXIMUM						-18.7%
						+5.6%

CFD NO. 10, IMPROVEMENT AREA E



CORTINA

PROPERTY DATA

This product type is located along the south side of Torrey Meadows Dr., ±550' northwesterly of Camino Del Sur, and extending south to Highlands Village Pl.

This product type is described as Residential Unit Nos. 1 to 144 on the Condominium Plan of Cortina, situated within Lot 1 of Torrey Highlands Village Center, County of San Diego, per Map No. 14593; and Residential Unit Nos. 3101 to 3103 and 3201 to 3205 on the Condominium Plan of Cortina, within Parcel 2 of Parcel Map No. 19418. The 152 units comprise Assessor Parcel Nos. 306-390-07-01 to 30, 306-390-08-01 to 06, 306-390-09-01 to 24, 306-390-10-01 to 24, 360-390-11-01 to 24, 306-390-12-01 to 12, 306-390-13-01 to 12, 306-390-14-01 to 12 and 306-390-27-01 to 08. The assessed values range from \$108,301 to \$464,470.

This product type comprises 152 dwelling units on ±9 acres, or a density of ±16.9 units per acre.

This site was developed from 2003 through 2005 with 152 attached townhomes called Cortina. There are three primary floor plans and several smaller floor plans with only a few units in the tract for which information is not available. Per builder information, the three primary floor plans are as follows:

Plan 1: 1,261 s.f., three-story, with 1 bedroom, 1 bath, loft, living room, dining room and a 1-car garage; optional powder room in loft.

Plan 2: 1,409 s.f., two-story, with 2 bedrooms, 2½ baths, living room, dining room and a 2-car garage.

Plan 3: 1,611 s.f., two-story, with 3 bedrooms, 2½ baths, living room, dining room and a 2-car garage.

Per building permit data, the homes in this product type range in size from 939 s.f. to 1,621 s.f. or an average of 1,405 s.f.

ANALYSIS

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

- Total A.V. for product type: \$45,681,258
- Average A.V. for product type: \$300,535
- Variance from sale price to A.V.: -6.1% to +28.0%, or avg. of +8.4%

It is noted that of the 9 sales, 6 were standard sales and 3 were short sales. However, while the standard sales indicated variances ranging from 0.0% to +22.9% or an average of +6.5%, the short sales indicated variances of -6.1% to +28.0% or an atypically positive average of +12.2%.

APN	SF	AV	SALE DATE	SALE TYPE	PRICE	VAR.-AV
306-390-07-01	1,254	235,000				
306-390-07-02	1,612	299,000				
306-390-07-03	1,409	250,000				
306-390-07-04	1,409	266,000				
306-390-07-05	1,612	328,000				
306-390-07-06	1,254	235,000				
306-390-07-07	1,254	245,000	Jul-12	Short	230,000	-6.1%
306-390-07-08	1,612	400,000				
306-390-07-09	1,409	270,000	Sep-12	Short	310,000	+14.8%
306-390-07-10	1,409	288,000				
306-390-07-11	1,612	337,000				
306-390-07-12	1,254	290,000				
306-390-07-13	1,254	288,660				
306-390-07-14	1,612	338,000				
306-390-07-15	1,406	322,408				
306-390-07-16	1,409	316,000				
306-390-07-17	1,612	382,500				
306-390-07-18	1,254	239,000				
306-390-07-19	1,254	270,000				
306-390-07-20	1,612	274,000				
306-390-07-21	1,409	268,000				
306-390-07-22	1,409	301,000				
306-390-07-23	1,612	345,000				
306-390-07-24	1,254	213,000				
306-390-07-25	1,254	239,000				
306-390-07-26	1,612	358,000				
306-390-07-27	1,409	285,000				
306-390-07-28	1,409	272,000				
306-390-07-29	1,612	108,301				
306-390-07-30	1,254	247,000				
306-390-08-01	1,254	290,000				
306-390-08-02	1,612	359,000				
306-390-08-03	1,409	246,000	Pending	Short	315,000	+28.0%
306-390-08-04	1,409	247,000				
306-390-08-05	1,612	336,000				
306-390-08-06	1,254	290,000				
306-390-09-01	1,254	227,000				
306-390-09-02	1,612	293,000				
306-390-09-03	1,409	301,000				
306-390-09-04	1,409	279,000				
306-390-09-05	1,612	382,000	Apr-12	Standard	382,000	0.0%
306-390-09-06	1,254	290,000				
306-390-09-07	1,254	212,000				
306-390-09-08	1,612	403,841				
306-390-09-09	1,409	284,000				
306-390-09-10	1,409	322,000	Apr-12	Standard	322,000	0.0%
306-390-09-11	1,612	400,000				
306-390-09-12	1,254	273,000				
306-390-09-13	1,254	260,000				
306-390-09-14	1,612	398,361				
306-390-09-15	1,409	301,000				
306-390-09-16	1,409	276,000				
306-390-09-17	1,612	293,000				
306-390-09-18	1,254	290,000				
306-390-09-19	1,254	244,000				
306-390-09-20	1,612	303,000				
306-390-09-21	1,409	269,000				
306-390-09-22	1,409	372,300				

APN	SE	AV	SALE DATE	SALE TYPE	PRICE	VAR-AV
306-390-09-23	1,612	298,000				
306-390-09-24	1,254	245,000				
306-390-10-01	1,254	245,000				
306-390-10-02	1,612	319,000				
306-390-10-03	1,409	301,000				
306-390-10-04	1,409	301,000				
306-390-10-05	1,612	320,000				
306-390-10-06	1,254	231,000				
306-390-10-07	1,254	229,000				
306-390-10-08	1,612	309,000				
306-390-10-09	1,409	297,000				
306-390-10-10	1,409	292,000				
306-390-10-11	1,612	309,000				
306-390-10-12	1,254	298,025				
306-390-10-13	1,254	245,000				
306-390-10-14	1,612	309,000				
306-390-10-15	1,409	301,000				
306-390-10-16	1,409	292,000				
306-390-10-17	1,612	342,000				
306-390-10-18	1,254	299,880				
306-390-10-19	1,254	290,000				
306-390-10-20	1,612	400,000				
306-390-10-21	1,409	314,000				
306-390-10-22	1,409	296,000				
306-390-10-23	1,612	350,000				
306-390-10-24	1,254	229,000				
306-390-11-01	1,254	223,000				
306-390-11-02	1,612	358,000				
306-390-11-03	1,409	301,000	Aug-12	Standard	349,000	+15.9%
306-390-11-04	1,409	301,000				
306-390-11-05	1,612	464,470				
306-390-11-06	1,254	239,000				
306-390-11-07	1,254	320,000				
306-390-11-08	1,612	393,000	Mar-12	Standard	393,000	0.0%
306-390-11-09	1,409	301,000				
306-390-11-10	1,409	320,000				
306-390-11-11	1,612	400,000				
306-390-11-12	1,254	270,000				
306-390-11-13	1,254	302,443				
306-390-11-14	1,612	458,000				
306-390-11-15	1,409	301,000				
306-390-11-16	1,409	301,000				
306-390-11-17	1,612	320,000				
306-390-11-18	1,254	247,000				
306-390-11-19	1,254	310,000				
306-390-11-20	1,612	354,000				
306-390-11-21	1,409	402,055				
306-390-11-22	1,409	252,000				
306-390-11-23	1,612	400,000				
306-390-11-24	1,254	274,000	Mar-12	Standard	274,000	0.0%
306-390-12-01	1,254	226,000				
306-390-12-02	1,612	400,000				
306-390-12-03	1,409	384,748				
306-390-12-04	1,409	380,000				
306-390-12-05	1,612	347,000				
306-390-12-06	1,254	237,000				
306-390-12-07	1,254	290,700				
306-390-12-08	1,612	418,200				

APN	SE	AV	SALE DATE	SALE TYPE	PRICE	VAR-AV
306-390-12-09	1,409	320,000				
306-390-12-10	1,409	377,400				
306-390-12-11	1,612	400,000				
306-390-12-12	1,254	231,000				
306-390-13-01	1,254	246,000				
306-390-13-02	1,612	453,186				
306-390-13-03	1,409	320,000				
306-390-13-04	1,409	280,000				
306-390-13-05	1,612	401,000				
306-390-13-06	1,254	249,000				
306-390-13-07	1,254	305,500				
306-390-13-08	1,612	334,000				
306-390-13-09	1,409	296,000				
306-390-13-10	1,409	371,280				
306-390-13-11	1,612	388,000				
306-390-13-12	1,254	217,000				
306-390-14-01	1,254	217,000				
306-390-14-02	1,612	359,000				
306-390-14-03	1,409	291,000				
306-390-14-04	1,409	277,000				
306-390-14-05	1,612	314,000				
306-390-14-06	1,254	236,000	Sep-12	Standard	290,000	+22.9%
306-390-14-07	1,254	242,000				
306-390-14-08	1,621	316,000				
306-390-14-09	1,409	350,000				
306-390-14-10	1,409	291,000				
306-390-14-11	1,612	309,000				
306-390-14-12	1,254	234,000				
306-390-27-01	939	230,000				
306-390-27-02	939	230,000				
306-390-27-03	1,152	275,000				
306-390-27-04	945	230,000				
306-390-27-05	939	230,000				
306-390-27-06	939	230,000				
306-390-27-07	1,172	265,000				
306-390-27-08	1,257	257,000				
TOTAL	45,681,258				2,865,000	
NO. PARCELS	152				9	
AVERAGE	300,535				318,333	+8.4%
MINIMUM						-6.1%
MAXIMUM						+28.0%

BELLARADO

PROPERTY DATA

This product type is located at the westerly end of Highlands Village Pl., $\pm 550'$ west of Camino Del Sur, and extending north and west from Highlands Village Pl.

This product type is described as Residential Unit Nos. 1 through 123 on the Condominium Plan of Bellarado, situated within Lot 3 of Torrey Highlands Village Center, County of San Diego, per Map No. 14593. The 123 units comprise Assessor Parcel Nos. 306-390-15-01 to 14, 306-390-16-01 to 14, 306-390-17-01 to 05, 306-390-18-01 to 05, 306-390-19-01 to 10, 306-390-20-01 to 12, 306-390-21-01 to 14, 306-390-22-01 to 14, 306-390-23-01 to 14, 306-390-24-01 to 14 and 306-390-25-01 to 07. The assessed values range from \$289,000 to \$539,027.

This product type comprises 123 dwelling units on ± 8.7 acres, or a density of ± 14.1 per acre.

This site was developed from 2003 through 2005 with 123 attached townhomes called Bellarado. There are three floor plans, and per builder information the size and description of each plan is as follows:

Plan 1: 1,731 s.f., three-story, with 3 bedrooms, $2\frac{1}{2}$ baths, living room, dining room, nook and a 2-car garage.

Plan 2: 1,825 s.f., three-story, with 3 bedrooms, $2\frac{1}{2}$ baths, den, living room, dining room, nook and a 2-car garage; optional bedroom 4/bath 3 at den.

Plan 3: 2,176 s.f., three-story, with 3 bedrooms, $2\frac{1}{2}$ baths, den, living room, dining room, family room and a 2-car garage; optional bedroom 4 at den.

Per building permit data, the homes in this product type range in size from 1,731 s.f. to 2,176 s.f. or an average of 1,905 s.f.

ANALYSIS

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

- Total A.V. for product type: \$48,832,895
- Average A.V. for product type: \$397,015
- Differential from sale price to A.V.: -13.3% to +0.9%, or avg. of -3.9%

It is noted that of the 6 sales, 3 were conventional sales and 3 were lender or short sales, thus on average the sale prices would tend to be on the conservative side. It is also noted that the standard sale prices indicated -7.7% to 0.0% whereas the lender and short sale prices indicated -13.3% to +0.9%.



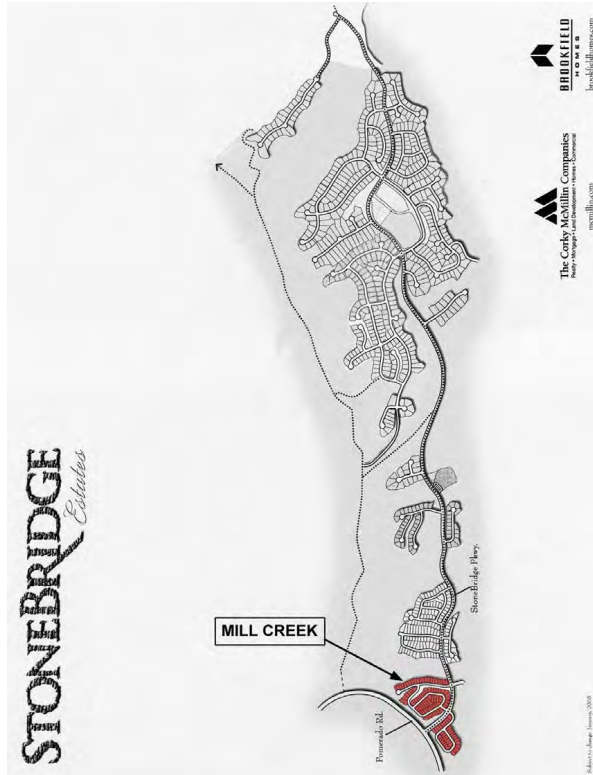
<u>APN</u>	<u>SE</u>	<u>AV</u>	<u>SALE</u> <u>DATE</u>	<u>SALE</u> <u>TYPE</u>	<u>PRICE</u>	<u>VAR.-AV</u>
306-390-15-01	2,176	528,952				
306-390-15-02	1,825	397,000				
306-390-15-03	1,731	319,000				
306-390-15-04	1,825	326,000				
306-390-15-05	1,731	359,000				
306-390-15-06	1,825	330,000				
306-390-15-07	2,176	393,000				
306-390-15-08	2,176	400,000				
306-390-15-09	1,825	310,000				
306-390-15-10	1,731	325,000				
306-390-15-11	1,825	353,000				
306-390-15-12	1,731	305,000				
306-390-15-13	1,825	364,000				
306-390-15-14	2,176	490,000				
306-390-16-01	2,176	367,000				
306-390-16-02	1,825	313,000				
306-390-16-03	1,731	332,000				
306-390-16-04	1,825	433,500	Jan-12	Lender	376,000	-13.3%
306-390-16-05	1,731	463,463				
306-390-16-06	1,825	289,249				
306-390-16-07	2,176	374,000				
306-390-16-08	2,176	364,000				
306-390-16-09	1,825	432,209				
306-390-16-10	1,731	300,000				
306-390-16-11	1,825	457,418				
306-390-16-12	1,731	395,000				
306-390-16-13	1,825	329,000				
306-390-16-14	2,176	539,027				
306-390-17-01	2,176	412,000				
306-390-17-02	1,825	430,000				
306-390-17-03	1,731	400,000				
306-390-17-04	1,825	425,000				
306-390-17-05	2,176	490,000				
306-390-18-01	2,176	467,000				
306-390-18-02	1,825	367,000				
306-390-18-03	1,731	343,000				
306-390-18-04	1,825	430,000				
306-390-18-05	2,176	464,470				
306-390-19-01	2,176	455,429				
306-390-19-02	1,825	425,000				
306-390-19-03	1,731	458,425				
306-390-19-04	1,825	464,433				
306-390-19-05	2,176	452,000				
306-390-19-06	2,176	390,000				
306-390-19-07	1,825	458,999				
306-390-19-08	1,731	304,000				
306-390-19-09	1,825	311,000				
306-390-19-10	2,176	513,840				
306-390-20-01	2,176	409,000				
306-390-20-02	1,825	443,312				
306-390-20-03	1,731	472,732				
306-390-20-04	1,825	390,000				
306-390-20-05	2,176	400,000				
306-390-20-06	2,176	365,000				
306-390-20-07	1,825	380,000				

<u>APN</u>	<u>SE</u>	<u>AV</u>	<u>SALE</u> <u>DATE</u>	<u>SALE</u> <u>TYPE</u>	<u>PRICE</u>	<u>VAR.-AV</u>
306-390-20-08	1,731	322,000				
306-390-20-09	1,825	450,365				
306-390-20-10	1,731	298,000				
306-390-20-11	1,825	309,000				
306-390-20-12	2,176	490,000				
306-390-21-01	2,176	420,000				
306-390-21-02	1,825	430,000				
306-390-21-03	1,731	322,000				
306-390-21-04	1,825	404,000	Mar-12	Standard	404,000	0.0%
306-390-21-05	1,731	306,000				
306-390-21-06	1,825	328,000				
306-390-21-07	2,176	371,000				
306-390-21-08	2,176	497,719				
306-390-21-09	1,825	335,000				
306-390-21-10	1,731	319,000				
306-390-21-11	1,825	468,620				
306-390-21-12	1,731	435,724				
306-390-21-13	1,825	425,000				
306-390-21-14	2,176	372,000				
306-390-22-01	1,825	413,000	Aug-12	Short	410,000	-0.7%
306-390-22-02	1,825	371,000				
306-390-22-03	1,731	400,000	Sep-12	Standard	390,000	-2.5%
306-390-22-04	1,825	434,519				
306-390-22-05	1,731	289,000				
306-390-22-06	1,825	425,000				
306-390-22-07	2,176	419,000				
306-390-22-08	2,176	420,000				
306-390-22-09	1,825	390,000				
306-390-22-10	1,731	370,000				
306-390-22-11	1,825	425,000				
306-390-22-12	1,731	370,000				
306-390-22-13	1,825	305,000				
306-390-22-14	2,176	439,000				
306-390-23-01	2,176	474,300				
306-390-23-02	1,825	433,237				
306-390-23-03	1,731	400,000				
306-390-23-04	1,825	390,000				
306-390-23-05	1,731	354,000				
306-390-23-06	1,825	417,179				
306-390-23-07	2,176	400,000				
306-390-23-08	2,176	490,000				
306-390-23-09	1,825	409,000				
306-390-23-10	1,731	400,000				
306-390-23-11	1,825	428,200				
306-390-23-12	1,731	360,000				
306-390-23-13	1,825	430,214				
306-390-23-14	2,176	490,000				
306-390-24-01	2,176	485,000				
306-390-24-02	1,825	390,000				
306-390-24-03	1,731	352,000				
306-390-24-04	1,825	373,000				
306-390-24-05	1,731	436,763				
306-390-24-06	1,825	425,000				
306-390-24-07	2,176	490,000				
306-390-24-08	2,176	467,000	May-12	Standard	431,000	-7.7%

<u>APN</u>	<u>SE</u>	<u>AV</u>	<u>SALE</u> <u>DATE</u>	<u>SALE</u> <u>TYPE</u>	<u>PRICE</u>	<u>VAR.-AV</u>
306-390-24-09	1,825	358,000				
306-390-24-10	1,731	350,000				
306-390-24-11	1,825	355,000				
306-390-24-12	1,731	342,000	May-12	Short	345,000	+0.9%
306-390-24-13	1,825	390,000				
306-390-24-14	2,176	418,000				
306-390-25-01	2,176	425,000				
306-390-25-02	1,825	333,000				
306-390-25-03	1,731	358,000				
306-390-25-04	1,825	430,597				
306-390-25-05	1,731	348,000				
306-390-25-06	1,825	360,000				
306-390-25-07	2,176	386,000				
TOTAL		48,832,895			2,356,000	
NO. PARCELS		123			6	
AVERAGE		397,015			392,667	-3.9%
MINIMUM						-13.3%
MAXIMUM						+0.9%

CFD NO. 11, IMPROVEMENT AREA A/ZONE 1

MAP OF MILL CREEK



MILL CREEK

PROPERTY DATA

This product type is located on both sides of Stonebridge Pkwy. at Brookside Ln., extending easterly from Pomerado Rd.

This product type is described as Lots 1 through 109 of Montecito-Unit 1, County of San Diego, Map No. 14621; however, Lot 24 has prepaid the special taxes and is not included in this analysis. The 108 lots in this analysis comprise Assessor Parcel Nos. 320-250-01 to 23 & 25 to 35, 320-251-01 to 41, and 320-252-01 to 33, and the assessed values range from \$571,000 to \$770,758.

This tract comprises a total of 109 lots. The lots are $\pm 5,000$ s.f. minimum pad size, but the overall size ranges from about 5,100 s.f. to over 11,000 s.f., including side and/or rear slope areas.

These lots were developed from 2004 to 2006 with 109 homes called Mill Creek. There are three floor plans, and per builder information the size and description of each plan is as follows:

Plan 1: 2,947-3,330 s.f., two-story, with 4 to 7 bedrooms, $2\frac{1}{2}$ to 5 baths, optional den and bonus room, living room, dining room, family room, nook and a 2 to 3-car tandem garage.

Plan 2: 3,226-3,399 s.f., two-story, with 4 to 6 bedrooms, $2\frac{1}{2}$ to 5 baths, master retreat, optional den, living room, dining room, family room, nook and a 2 to 3-car tandem garage.

Plan 3: 3,390-3,563 s.f., two-story, with 4 to 6 bedrooms, $2\frac{1}{2}$ to 6 baths, optional den and loft, living room, dining room, family room, nook and a 2 to 3-car split garage.

Per Assessor data, the homes in this product type range in size from 2,947 s.f. to 3,566 s.f. or an average of 3,230 s.f. (for the 108 homes included in this analysis).

ANALYSIS

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

- Total A.V. for product type: \$68,322,710
- Average A.V. for product type: \$632,618
- Variance from sale price to A.V.: -3.8% to +14.5%, or avg. of +4.1%

It is noted that of the 6 sales, 2 were standard sales and 4 were lender or short sales, thus on average the sale prices would tend to be on the conservative side. It is also noted that the standard sale prices indicated +10.5% and +14.5% while the lender and short sale prices indicated -3.8% to +1.9%.

<u>APN</u>	<u>SF</u>	<u>AV</u>	<u>SALE DATE</u>	<u>SALE TYPE</u>	<u>PRICE</u>	<u>VAR.-AV</u>
320-250-01-00	3,226	620,000				
320-250-02-00	3,390	636,000				
320-250-03-00	2,947	625,000				
320-250-04-00	3,390	620,000				
320-250-05-00	3,226	620,000	May-12	Standard	710,000	+14.5%
320-250-06-00	3,390	667,000	Apr-12	Lender	680,000	+1.9%
320-250-07-00	2,947	600,000				
320-250-08-00	3,226	675,000				
320-250-09-00	3,390	636,000				
320-250-10-00	3,226	620,000				
320-250-11-00	2,947	592,000				
320-250-12-00	3,390	636,000				
320-250-13-00	3,390	616,000				
320-250-14-00	3,226	620,000				
320-250-15-00	2,947	625,000				
320-250-16-00	3,226	620,000				
320-250-17-00	3,390	620,000				
320-250-18-00	3,226	619,000				
320-250-19-00	3,390	620,000				
320-250-20-00	3,226	620,000				
320-250-21-00	2,947	625,000	Oct-12	Short	601,500	-3.8%
320-250-22-00	2,947	600,000				
320-250-23-00	2,947	625,000				
320-250-25-00	2,947	584,000				
320-250-26-00	3,390	600,000				
320-250-27-00	3,563	720,000				
320-250-28-00	2,947	600,000				
320-250-29-00	3,226	600,000				
320-250-30-00	3,390	600,000				
320-250-31-00	2,947	600,000				
320-250-32-00	3,226	600,000				
320-250-33-00	3,390	600,000				
320-250-34-00	3,226	680,000				
320-250-35-00	2,947	625,000				
320-251-01-00	3,390	620,000				
320-251-02-00	2,947	640,775				
320-251-03-00	3,390	625,396				
320-251-04-00	2,947	725,420				
320-251-05-00	3,390	636,000				
320-251-06-00	2,947	625,000				
320-251-07-00	3,390	620,000				
320-251-08-00	2,947	600,000				
320-251-09-00	3,390	571,000				
320-251-10-00	2,947	574,000				
320-251-11-00	3,226	620,000				
320-251-12-00	3,390	620,000				
320-251-13-00	3,226	620,000				
320-251-14-00	3,390	735,496				
320-251-15-00	2,947	592,000				
320-251-16-00	3,390	620,000				
320-251-17-00	3,390	620,000	Jun-12	Standard	685,000	+10.5%
320-251-18-00	2,947	592,000				
320-251-19-00	3,390	675,000				
320-251-20-00	3,390	620,000				
320-251-21-00	2,947	574,000				
320-251-22-00	3,390	620,000				
320-251-23-00	2,947	600,000				
320-251-24-00	3,390	616,000				

<u>APN</u>	<u>SF</u>	<u>AV</u>	<u>SALE DATE</u>	<u>SALE TYPE</u>	<u>PRICE</u>	<u>VAR.-AV</u>
320-251-25-00	2,947	600,000				
320-251-26-00	3,226	628,000				
320-251-27-00	3,390	625,000				
320-251-28-00	2,947	574,000				
320-251-29-00	3,390	620,000				
320-251-30-00	3,226	620,000				
320-251-31-00	3,390	636,000				
320-251-32-00	2,947	600,000				
320-251-33-00	3,563	700,000				
320-251-34-00	3,330	616,000				
320-251-35-00	3,563	680,000				
320-251-36-00	3,226	660,000				
320-251-37-00	3,390	675,000				
320-251-38-00	3,226	620,000				
320-251-39-00	2,947	745,571				
320-251-40-00	3,563	734,400				
320-251-41-00	3,226	628,000				
320-252-01-00	2,947	592,000				
320-252-02-00	3,226	628,000				
320-252-03-00	3,390	620,000				
320-252-04-00	3,226	654,894				
320-252-05-00	2,947	592,000				
320-252-06-00	3,566	660,000				
320-252-07-00	2,947	770,758				
320-252-08-00	3,390	620,000	Apr-12	Short	630,000	+1.6%
320-252-09-00	2,947	625,000				
320-252-10-00	3,563	630,000	Feb-12	Lender	630,000	0.0%
320-252-11-00	2,947	574,000				
320-252-12-00	3,226	620,000				
320-252-13-00	3,563	700,000				
320-252-14-00	3,226	620,000				
320-252-15-00	3,390	636,000				
320-252-16-00	3,563	700,000				
320-252-17-00	2,947	625,000				
320-252-18-00	3,563	618,000				
320-252-19-00	3,226	620,000				
320-252-20-00	3,563	680,000				
320-252-21-00	2,947	592,000				
320-252-22-00	3,226	660,000				
320-252-23-00	2,947	592,000				
320-252-24-00	3,563	700,000				
320-252-25-00	3,226	628,000				
320-252-26-00	3,563	680,000				
320-252-27-00	3,226	672,000				
320-252-28-00	3,563	700,000				
320-252-29-00	3,226	628,000				
320-252-30-00	2,947	592,000				
320-252-31-00	3,563	730,000				
320-252-32-00	2,947	592,000				
320-252-33-00	3,226	681,000				
TOTAL		68,322,710			3,936,500	
NO. PARCELS		108			6	
AVERAGE		632,618			984,126	+4.1%
MINIMUM						-3.8%
MAXIMUM						+14.5%

MAP OF ASTORIA



ASTORIA

PROPERTY DATA

This product type is located on both sides of Stonebridge Pkwy. at Wild Meadow Pl., just to the east of the subject Mill Creek product type.

This product type is described as Lots 110 through 230 of Montecito-Unit 2, in the City of San Diego, per Map No. 14634, recorded July 22, 2003. The 121 lots comprise Assessor Parcel Nos. 320-260-01 to 41, 320-261-01 to 36, 320-262-01 to 20 and 320-263-01 to 24. The assessed values range from \$538,000 to \$890,000.

This product type comprises a total of 121 single family residential lots. The lots are $\pm 6,000$ s.f. minimum pad size, or $\pm 60'$ by $100'$. Many of the lots are larger in size, but part of the larger lot sizes include greater side and/or rear slope areas

These lots were developed from 2004 to 2006 with 121 homes called Astoria. There are three floor plans, and per builder information the size and description of each plan is as follows:

Plan 1: 3,110 s.f., two story, with 3 to 4 bedrooms, $3\frac{1}{2}$ baths, optional loft or master retreat, living room, dining room, family room, nook and a 3-car split garage.

Plan 2: 3,564 s.f., two story, with 2 to 5 bedrooms, $4\frac{1}{2}$ baths, optional master retreat, bonus room and office, living room, dining room, family room, nook and a 3-car tandem garage.

Plan 3: 3,869 s.f., two story, with 6 bedrooms, $4\frac{1}{2}$ baths, bonus room, living room, dining room, family room, nook and a 3-car split garage.

Per building permit data, the homes in this product type range in size from 3,110 s.f. to 3,869 s.f. or an average of 3,554 s.f.

ANALYSIS

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

- Total A.V. for product type: \$84,671,366
- Average A.V. for product type: \$699,763
- Variance from sale price to A.V.: -19.1% to +6.7%, or avg. of -0.3%

It is noted that of the 8 sales, 1 was a standard sale and 7 were lender or short sales, thus on average the sale prices would tend to be well on the conservative side. It is also noted that the standard sale price indicated +4.7% but the lender and short sale prices indicated -19.1% to +6.7%.

APN	SF	AV	SALE DATE	SALE TYPE	PRICE	VAR.-AV
320-260-01-00	3,110	630,000	Apr-12	Short	705,000	+3.7%
320-260-02-00	3,869	887,399				
320-260-03-00	3,110	628,000				
320-260-04-00	3,564	680,000				
320-260-05-00	3,869	811,060				
320-260-06-00	3,110	584,000				
320-260-07-00	3,564	624,000				
320-260-08-00	3,110	702,289				
320-260-09-00	3,564	623,000				
320-260-10-00	3,869	646,000				
320-260-11-00	3,869	666,407				
320-260-12-00	3,110	584,000				
320-260-13-00	3,869	760,000				
320-260-14-00	3,564	680,000				
320-260-15-00	3,869	780,000				
320-260-16-00	3,110	760,000				
320-260-17-00	3,110	630,000				
320-260-18-00	3,869	841,000				
320-260-19-00	3,110	650,000				
320-260-20-00	3,564	760,000				
320-260-21-00	3,564	700,000				
320-260-22-00	3,869	752,000				
320-260-23-00	3,110	620,000				
320-260-24-00	3,564	680,000				
320-260-25-00	3,869	750,000				
320-260-26-00	3,564	685,000				
320-260-27-00	3,110	637,000				
320-260-28-00	3,564	614,000	Jun-12	Short	712,500	+4.8%
320-260-29-00	3,110	630,000				
320-260-30-00	3,869	750,000				
320-260-31-00	3,564	680,000				
320-260-32-00	3,869	678,000	May-12	Short	665,000	-2.9%
320-260-33-00	3,564	700,000				
320-260-34-00	3,564	686,800				
320-260-35-00	3,869	759,000				
320-260-36-00	3,869	713,000	Jan-12	Lender	724,000	0.0%
320-260-37-00	3,869	824,000				
320-260-38-00	3,110	707,880				
320-260-39-00	3,564	700,000				
320-260-40-00	3,869	724,000	Jun-12	Standard Short	750,000 550,000	+4.7% -19.1%
320-260-41-00	3,564	685,000				
320-261-01-00	3,564	700,000				
320-261-02-00	3,564	740,000				
320-261-03-00	3,869	800,000				
320-261-04-00	3,110	628,000				
320-261-05-00	3,564	680,000				
320-261-06-00	3,869	750,000				
320-261-07-00	3,110	628,000				
320-261-08-00	3,564	725,420				
320-261-09-00	3,869	890,000				
320-261-10-00	3,110	653,240				
320-261-11-00	3,869	750,000				
320-261-12-00	3,564	745,000				
320-261-13-00	3,110	538,000				
320-261-14-00	3,869	820,000				
320-261-15-00	3,564	700,000				
320-261-16-00	3,110	630,000				

APN	SF	AV	SALE DATE	SALE TYPE	PRICE	VAR.-AV
320-261-17-00	3,564	700,000	Aug-12	Lender	720,000	+6.7%
320-261-18-00	3,869	750,000				
320-261-19-00	3,869	774,790				
320-261-20-00	3,110	683,400				
320-261-21-00	3,869	750,000				
320-261-22-00	3,869	775,000				
320-261-23-00	3,564	700,000				
320-261-24-00	3,110	588,000				
320-261-25-00	3,869	750,000				
320-261-26-00	3,110	584,000				
320-261-27-00	3,564	700,000				
320-261-28-00	3,869	750,000				
320-261-29-00	3,564	700,000				
320-261-30-00	3,564	700,000				
320-261-31-00	3,869	750,000				
320-261-32-00	3,110	698,572				
320-261-33-00	3,564	680,000				
320-261-34-00	3,564	685,000				
320-261-35-00	3,869	673,000				
320-261-36-00	3,869	670,000				
320-262-01-00	3,110	584,000				
320-262-02-00	3,869	824,000				
320-262-03-00	3,564	641,000				
320-262-04-00	3,869	730,000				
320-262-05-00	3,564	705,000				
320-262-06-00	3,869	700,000				
320-262-07-00	3,110	630,000				
320-262-08-00	3,869	669,000				
320-262-09-00	3,564	780,000				
320-262-10-00	3,869	667,000				
320-262-11-00	3,564	675,000				
320-262-12-00	3,869	656,000				
320-262-13-00	3,110	630,000				
320-262-14-00	3,564	735,496				
320-262-15-00	3,564	725,000				
320-262-16-00	3,869	716,000				
320-262-17-00	3,564	700,000				
320-262-18-00	3,564	722,795				
320-262-19-00	3,110	630,000				
320-262-20-00	3,869	662,000				
320-263-01-00	3,869	734,488	Jan-12	Lender	615,000	0.0%
320-263-02-00	3,110	628,000				
320-263-03-00	3,564	780,000				
320-263-04-00	3,110	658,000				
320-263-05-00	3,564	740,000				
320-263-06-00	3,869	716,000				
320-263-07-00	3,564	680,000				
320-263-08-00	3,869	720,000				
320-263-09-00	3,110	645,800				
320-263-10-00	3,869	720,000				
320-263-11-00	3,110	725,000				
320-263-12-00	3,564	700,000				
320-263-13-00	3,110	630,000				
320-263-14-00	3,564	680,000				
320-263-15-00	3,110	615,000				
320-263-16-00	3,869	730,000				
320-263-17-00	3,869	716,000				
320-263-18-00	3,110	584,000				

320-263-19-00	3,564	750,000				
APN	SF	AV	SALE DATE	SALE TYPE	PRICE	VAR.-AV
320-263-20-00	3,110	630,000				
320-263-21-00	3,564	700,000				
320-263-22-00	3,869	766,530				
320-263-23-00	3,564	882,000				
320-263-24-00	3,869	716,000				
TOTAL		84,671,366			5,441,500	
NO. PARCELS		121			8	
AVERAGE		699,763			680,188	-0.3%
MINIMUM						-19.1%
MAXIMUM						+6.7%



CALABRIA/SERENITY TRACT

PROPERTY DATA

This product type is located on both sides of Stonebridge Pkwy. at Greenstone Ct., and Stonecraft Terrace, nearby to the east of the subject Astoria product type.

This product type is described as Lots 231 through 268 and 272 through 277 of Montecito-Unit 3, per Map No. 14707, recorded October 30, 2003; and Parcels 1 through 3 of Parcel Map No. 19745 recorded June 1, 2005 as Instrument No. 2005-0458900. The 47 lots comprise Assessor Parcel Nos. 320-270-01 to 17 and 320-271-01 to 21, 25 to 30 & 33 to 35. The assessed values range from \$640,263 to \$1,309,789.

This product type comprises 47 single family residential lots. The lots are $\pm 8,000$ to 8,800 s.f. minimum pad size, or $\pm 80'$ by $100'$ - $110'$ depth. Many of the lots are larger in size, but also include side and/or rear slope areas.

These lots were developed from 2005 through 2009 with a product type called Calabria; the final two homes at build out (APN's 320-271-21 & 35) were constructed with Plan 1 from the Serenity product type. Per builder information the size and description of each plan is as follows:

Calabria Plan 1: 3,780 s.f., one story, with 4 bedrooms, $3\frac{1}{2}$ baths, plus bonus room or library, central courtyard with optional fireplace, and a 3 to 4-car garage.

Calabria Plan 2: 4,340 s.f., two story, with 5 bedrooms, $4\frac{1}{2}$ baths, library/office with extra bonus room, mostly enclosed front courtyard with optional fireplace, and a 3 to 4-car garage.

Calabria Plan 3: 4,804 s.f., two story, with 5 bedrooms, $4\frac{1}{2}$ baths, bonus room and library, covered front porch, and a 2-car garage plus a separate compact garage.

Calabria Plan 4: 5,120 s.f., two story, with 5 bedrooms, $4\frac{1}{2}$ baths, bonus room and library, central courtyard with optional fireplace, covered front porch, and a 2-car garage plus a separate compact garage.

Serenity Plan 1: 4,040 s.f., two story, with 5 bedrooms, $4\frac{1}{2}$ baths, office, bonus room, master retreat, and an oversized 2-car garage.

Per Assessor data, the homes in this product type range in size from 3,780 s.f. to 5,120 s.f. or an average of 4,489 s.f.

ANALYSIS

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

- Total A.V. for tract: \$42,936,361
- Average A.V. for tract: \$913,540
- Differential from sale price to A.V.: -5.3% to +8.3%, or avg. of +1.0%

ANALYSIS, Continuing

It is noted that of the 3 sales, 2 were standard sales and 1 was a lender sale, thus on average the sale prices would tend to be at least slightly on the conservative side. It is also noted that the standard sale prices indicated 0.0% and +8.3% whereas the lender sale price indicated -5.3%.

<u>APN</u>	<u>SE</u>	<u>AV</u>	<u>SALE</u> <u>DATE</u>	<u>SALE</u> <u>TYPE</u>	<u>PRICE</u>	<u>VAR. AV</u>
320-270-01-00	4,720	975,000				
320-270-02-00	5,108	1,030,000				
320-270-03-00	3,780	840,000	Mar-12	Standard	910,000	+8.3%
320-270-04-00	4,340	791,000				
320-270-05-00	4,804	909,000				
320-270-06-00	4,340	788,000				
320-270-07-00	4,787	824,000				
320-270-08-00	4,340	806,000				
320-270-09-00	5,120	1,030,000				
320-270-10-00	4,720	815,000				
320-270-11-00	3,780	795,948				
320-270-12-00	5,108	801,250				
320-270-13-00	4,340	836,399				
320-270-14-00	3,780	784,310				
320-270-15-00	4,787	950,000				
320-270-16-00	3,780	775,000				
320-270-17-00	5,120	1,030,000				
320-271-01-00	4,787	843,000				
320-271-02-00	5,060	640,263				
320-271-03-00	3,780	750,000	Jan-12	Standard	980,000	0.0%
320-271-04-00	4,340	980,000				
320-271-05-00	3,780	800,000				
320-271-06-00	5,060	1,108,005				
320-271-07-00	4,720	692,831				
320-271-08-00	5,120	894,000				
320-271-09-00	4,340	1,150,037				
320-271-10-00	4,340	960,000				
320-271-11-00	4,340	990,000				
320-271-12-00	3,780	800,000				
320-271-13-00	4,340	800,000				
320-271-14-00	4,804	1,153,459				
320-271-15-00	5,060	850,000	Jul-12	Lender	791,000	-5.3%
320-271-16-00	4,787	835,000				
320-271-17-00	4,340	950,000				
320-271-18-00	3,780	824,000				
320-271-19-00	4,720	839,000				
320-271-20-00	5,120	1,030,000				
320-271-21-00	4,056	952,861				
320-271-25-00	4,340	965,980				
320-271-26-00	4,720	1,158,659				
320-271-27-00	5,120	1,309,789				
320-271-28-00	4,870	988,000				
320-271-29-00	4,340	933,000				
320-271-30-00	3,780	1,027,678				
320-271-33-00	4,804	1,094,478				
320-271-34-00	3,780	977,303				
320-271-35-00	4,040	858,111				
TOTAL		42,936,361			2,681,000	
NO. PARCELS		47			3	
AVERAGE		913,540			893,667	+1.0%
MINIMUM						-5.3%
MAXIMUM						+8.3%

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. AG013111; valid through September 22, 2014.

EDUCATION

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

Appraisal Institute Courses:

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

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

COURT/TESTIMONY EXPERIENCE

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

TYPES OF PROPERTY APPRAISED

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

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

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

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

QUALIFICATIONS, Page 2

CLIENT LIST

Corporations:

Aera Energy
British Pacific Properties
BSI Consultants
Crown Central Petroleum
Eastman Kodak Company
Firestone Building Materials
Foodmaker Realty Corp.
Greyhound Lines
Holiday Rambler Corp.
International Baking Co.
Johnson Controls
Kampgrounds of America
La Habra Products, Inc.

MCP Foods
Merrill Lynch Relocation
Orangeland RV Park
Pacific Scientific
Penhall International
Pic 'N Save Stores
Sargent-Fletcher Co.
Shell-Western E&P
Southern Distributors Corp.
Southern California Edison
The Home Depot
Tooley and Company
Wastewater Disposal Co.

Developers:

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

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

Law Firms:

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

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

Financial Institutions:

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

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

QUALIFICATIONS, Page 3

Cities:

Anaheim	La Habra	San Clemente
Baldwin Park	Laguna Beach	Santa Ana
Buena Park	Long Beach	Santa Fe Springs
Cypress	Mission Viejo	Stanton
Dana Point	Orange	Temecula
Duarte	Placentia	Tustin
Fontana	Riverside	Yorba Linda
Fullerton	Seal Beach	

Counties:

County of Orange	County of Riverside
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Other Governmental:

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

School Districts:

Alvord Unified School Dist.	Newport-Mesa Unified School Dist.
Anaheim Union High School Dist.	Orange Unified School Dist.
Anaheim City School Dist.	Palm Springs Unified School Dist.
Banning Unified School Dist.	Placentia-Yorba Linda Unified Dist.
Capistrano Unified School Dist.	Poway Unified School Dist.
Castaic Union School Dist.	Rialto Unified School Dist.
Cypress School Dist.	Romoland School Dist.
Etiwanda School Dist.	Saddleback Valley Unif. School Dist.
Fullerton College	San Jacinto Unified School Dist.
Fullerton Joint Union High School Dist.	Santa Ana Unified School Dist.
Fullerton School Dist.	Saugus Union School Dist.
Garden Grove Unified School Dist.	So. Orange Cnty. Comm. College Dist.
Irvine Unified School Dist.	Westside Union School Dist.
Lake Elsinore Unified School Dist.	William S. Hart Union High Schl. Dist.
Moreno Valley Unified School Dist.	Victor Elementary School Dist.
Newhall School Dist.	

Churches/Church Organizations:

Calvary Church, Santa Ana	Lutheran Church, Missouri Synod
Central Baptist Church, Pomona	Presbytery of Los Rancho
Christian & Missionary Alliance Church, Santa Ana	St. Mark's Lutheran Church, Hac. Hts.
Christian Church Foundation	Vineyard Christian Fellowship
Congregational Church, Fullerton	Yorba Linda United Methodist Church
First Church of the Nazarene	

Other:

Biola University	Garden Grove Boys' Club
Cedars-Sinai Medical Center	The Sheepfoldfold

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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. 2 IA 1 Special Tax Bonds, the CFD No. 10 IA C Special Tax Bonds, the CFD No. 10 IA D Special Tax Bonds, the CFD No. 10 IA E Special Tax Bonds, the CFD No. 11 IA A Special Tax Bonds, the CFD No. 11 Zone 2 Special Tax Bonds and the CFD No. 11 Zone 3 Special Tax 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:

“2013 Bonds” means the \$37,785,000 Poway Unified School District Public Financing Authority 2013 Special Tax Revenue Bonds

“2013 Term Bonds” means the Bonds maturing on September 15, 2032, September 15, 2036 and September 15, 2042.

“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, bond insurance premiums or costs, surety fees and costs, rating agency fees, filing and recording fees, initial fees, expenses and charges and first annual administrative fees of the Trustee, expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds.

Authority Costs of Issuance shall also include Costs of Issuance as defined in the 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, as to the 2013 Bonds, the agreement to purchase such Bonds, by and among the Authority, the School District, on behalf of Community Facilities District No. 2, Community Facilities District No. 10 and Community Facilities District No. 11, and the Underwriter of such Bonds and, as to any Series of Parity Bonds, the agreement to purchase such Parity Bonds by and among the Authority, the School District, on behalf of the applicable Community Facilities District or Community Facilities Districts, and the underwriter of such Parity 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, the first such Bond Year with respect to the 2013 Bonds shall begin on the Date of Delivery thereof, and end on September 15, 2013.

“Bonds” means the 2013 Bonds and any Parity Bonds at any time Outstanding pursuant to this 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 hereunder 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.

“CFD Bond Indentures” or “CFD Bond Indenture” means, collectively:

- the CFD No. 2 IA 1 Bond Indenture,
- the CFD No. 10 IA C Bond Indenture,
- the CFD No. 10 IA D Bond Indenture,
- the CFD No. 10 IA E Bond Indenture,
- the CFD No. 11 IA A Bond Indenture,
- the CFD No. 11 Zone 1 Bond Indenture,

- the CFD No. 11 Zone 2 Bond Indenture,
- the CFD No. 11 Zone 3 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. 2 IA 1 Bonds Reserve Fund Credit Amount,
- the CFD No. 10 IA C Bonds Reserve Fund Credit Amount,
- the CFD No. 10 IA D Bonds Reserve Fund Credit Amount,
- the CFD No. 10 IA E Bonds Reserve Fund Credit Amount,
- the CFD No. 11 IA A Bonds Reserve Fund Credit Amount,
- the CFD No. 11 Zone 1 Bonds Reserve Fund Credit Amount;
- the CFD No. 11 Zone 2 Bonds Reserve Fund Credit Amount; and
- the CFD No. 11 Zone 3 Bonds Reserve Fund Credit Amount.

“CFD No. 2 IA 1 2013 Special Tax Bonds” means the \$2,830,000 Poway Unified School District Community Facilities District No. 2 (Subarea IV - Torrey Highlands) Improvement Area 1 Special Tax Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 2 IA 1 Bond Indenture.

“CFD No. 2 IA 1 Bond Indenture” means the Bond Indenture, dated as of January 1, 2013, by and between CFD No. 2 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 2 IA 1 Special Tax Bonds.

“CFD No. 2 IA 1 Bonds Reserve Fund Credit Amount” means, as of the date of calculation, 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. 2 IA 1 Special Tax Bonds and the denominator equal to the total principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 2 IA 1 2013 Special Tax Bonds, such amount shall be \$201,479.68.

“CFD No. 2 IA 1 Custodial Account” means such custodial account as may be established and held by the Custodian at the direction of the School District pursuant to the Custodial Agreement for and on behalf of Improvement Area No. 1 of CFD No. 2.

“CFD No. 10 IA C 2013 Special Tax Refunding Bonds” means the \$2,625,000 Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area C Special Tax Refunding Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 10 IA C Bond Indenture.

“CFD No. 10 IA C Bond Indenture” means the Bond Indenture, dated as of January 1, 2013, by and between CFD No. 10 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 10 IA C Special Tax Refunding Bonds.

“CFD No. 10 IA C Bonds Reserve Fund Credit Amount” means, as of the date of calculation, 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 then total outstanding principal of the CFD No. 10 IA C Special Tax Refunding Bonds and the denominator equal to the then total outstanding principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 10 IA C 2013 Special Tax Refunding Bonds, such amount shall be \$186,884.86.

“CFD No. 10 IA D 2013 Special Tax Refunding Bonds” means the \$4,275,000 Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area B Special Tax Refunding Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 10 IA D Bond Indenture.

“CFD No. 10 IA D Bond Indenture” means the Bond Indenture, dated as of January 1, 2013, by and between CFD No. 10 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 10 IA D 2013 Special Tax Refunding Bonds.

“CFD No. 10 IA D Bonds Reserve Fund Credit Amount” means, as of the date of calculation, 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 then total outstanding principal of the CFD No. 10 IA D 2013 Special Tax Refunding Bonds and the

denominator equal to the then total outstanding principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 10 IA D 2013 Special Tax Refunding Bonds, such amount shall be \$304,355.35.

“CFD No. 10 IA E 2013 Special Tax Refunding Bonds” means the \$4,800,000 Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area E Special Tax Refunding Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 10 IA E Bond Indenture.

“CFD No. 10 IA E Bond Indenture” means the Bond Indenture, dated as of January 1, 2013, by and between CFD No. 10 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 10 IA E 2013 Special Tax Refunding Bonds.

“CFD No. 10 IA E Bonds Reserve Fund Credit Amount” means, as of the date of calculation, 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 then total outstanding principal of the CFD No. 10 IA E 2013 Special Tax Refunding Bonds and the denominator equal to the then total outstanding principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 10 IA E 2013 Special Tax Refunding Bonds, such amount shall be \$341,732.32.

“CFD No. 11 IA A 2013 Special Tax Refunding Bonds” means the \$9,685,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Improvement Area A Special Tax Refunding Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 11 IA A Bond Indenture.

“CFD No. 11 IA A Bond Indenture” means the Bond Indenture, dated as of January 1, 2013, by and between CFD No. 11 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 11 IA A 2013 Special Tax Refunding Bonds.

“CFD No. 11 IA A Bonds Reserve Fund Credit Amount” means, as of the date of calculation, 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 then total outstanding principal of the CFD No. 11 IA A 2013 Special Tax Refunding Bonds and the denominator equal to the then total outstanding principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 11 IA A 2013 Special Tax Refunding Bonds, such amount shall be \$689,516.16.

“CFD No. 11 Zone 1 2013 Special Tax Bonds” means the \$10,310,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 1 2013 Special Tax Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 11 Zone 1 Bond Indenture.

“CFD No. 11 Zone 1 Bond Indenture” means the Bond Indenture, dated as of January 1, 2013, by and between CFD No. 11 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 11 Zone 1 2013 Special Tax Bonds.

“CFD No. 11 Zone 1 Bonds Reserve Fund Credit Amount” means, as of the date of calculation, 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 then total outstanding principal of the CFD No. 11 Zone 1 2013 Special Tax Bonds and the denominator equal to the then total outstanding principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 11 Zone 1 2013 Special Tax Bonds, such amount shall be \$734,012.56.

“CFD No. 11 Zone 1 Custodial Account” means the custodial account established and held by the Custodian pursuant to the Custodial Agreement for and on behalf of CFD No. 11 and currently designated as Account Number 7150823 or as such account may be designated hereafter.

“CFD No. 11 Zone 2 2013 Special Tax Refunding Bonds” means the \$1,870,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 2 2013 Special Tax Refunding Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 11 Zone 2 Bond Indenture.

“CFD No. 11 Zone 2 Bond Indenture” means the Bond Indenture, dated as of January 1, 2013, by and between CFD No. 11 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 11 Zone 2 2013 Special Tax Refunding Bonds.

“CFD No. 11 Zone 2 Bonds Reserve Fund Credit Amount” means, as of the date of calculation, 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 then total outstanding principal of the CFD No. 11 Zone 2 2013 Special Tax Refunding Bonds and the denominator equal to the then total outstanding principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 11 Zone 2 2013 Special Tax Refunding Bonds, such amount shall be \$133,133.22.

“CFD No. 11 Zone 2 Custodial Account” means the custodial account established and held by the Custodian pursuant to the Custodial Agreement for and on behalf of CFD No. 11 and currently designated as Account Number 7150834 or as such account may be designated hereafter.

“CFD No. 11 Zone 3 2013 Special Tax Refunding Bonds” means the \$1,390,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 3 2013 Special Tax Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 11 Zone 3 Bond Indenture.

“CFD No. 11 Zone 3 Bond Indenture” means the Bond Indenture, dated as of Zone 3, by and between CFD No. 11 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 11 Zone 3 2013 Special Tax Refunding Bonds.

“CFD No. 11 Zone 3 Bonds Reserve Fund Credit Amount” means, as of the date of calculation, 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 then total outstanding principal of the CFD No. 11 Zone 3 2013 Special Tax Refunding Bonds and the denominator equal to the then total outstanding principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 11 Zone 3 2013 Special Tax Refunding Bonds, such amount shall be \$98,959.99.

“CFD No. 11 Zone 3 Custodial Account” means the custodial account established and held by the Custodian pursuant to the Custodial Agreement for and on behalf of CFD No. 11 and currently designated as Account Number 7150835 or as such account may be designated hereafter.

“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 1 of Community Facilities District No. 2, Improvement Area C, Improvement Area D or Improvement Area E of Community Facilities District No. 10, Improvement Area A of Community Facilities District No. 11, Zone 1 of Community Facilities District No. 11, Zone 2 of Community Facilities District No. 11 or Zone 3 of Community Facilities District No. 11, 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 Community Facilities Districts.

“Community Facilities District No. 2” or “CFD No. 2” means Poway Unified School District Community Facilities District No. 2 (Torrey Highlands – Subarea IV), a Community Facilities District formed pursuant to the Mello-Roos Act.

“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. 11” or “CFD No. 11” means Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates), a Community Facilities District formed pursuant to the Mello-Roos Act.

“Community Facilities Districts” or “CFDs” means, collectively, CFD No. 2, CFD No. 10 and CFD No. 11.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement as executed and delivered by the Authority and the School District, on behalf of the Community Facilities Districts, Dolinka Group, LLC, as dissemination agent, and Zions First National Bank, as Trustee, and dated as of January 1, 2013, 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, or such other entity as selected by the School District to act as custodian.

“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, as to the 2013 Bonds, the date on which the 2013 Bonds are delivered to the Underwriter in exchange for the purchase price therefore.

“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 Section 7.01.

“Excess Investment Earnings” means an amount equal to the sum of:

(a) the excess of the aggregate amount earned from the applicable 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 in its capacity as the fiscal agent for the Special Tax 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 January 1, 2013, 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 this Indenture of Trust, 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 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.

“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, 2013, as to the Bonds.

“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, its successors and assigns.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including particular Bonds (or portions of Bonds) described in the Indenture; and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” or “Bond Owner” or “Bondholder” or “Holder,” whenever used in the Indenture with respect to a Bond, means the Person in whose name the ownership of such Bond is registered on the Registration Books.

“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 2013 Bonds.

“Permitted Investments” means any of the following investments 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, 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.

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.

“Prior Authority Bonds” means Poway Unified School District Public Financing Authority 2009 Revenue Bonds issued in the original principal amount of \$8,995,000 and of which \$8,950,000 principal amount remain outstanding.

“Prior Special Tax Bonds” means, collectively, the following:

(a) Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area C 2003 Special Tax Bonds issued in the original principal amount of \$3,000,000 and of which \$2,845,000 principal amount remain outstanding;

(b) Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area D 2002 Special Tax Bonds issued in the original principal amount of \$5,125,000 and of which \$4,810,000 principal amount remain outstanding;

(c) Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area E 2002 Special Tax Bonds issued in the original principal amount of \$5,750,000 and of which \$5,405,000 principal amount remain outstanding;

(d) Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Improvement Area A 2004 Special Tax Bonds issued in the original principal amount of \$11,000,000 and of which \$10,435,000 principal amount remain outstanding;

(e) Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 1 2004 Special Tax Bonds issued in the original principal amount of \$9,000,000 and of which \$8,545,000 principal amount remain outstanding;

(f) Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 2 2009 Special Tax Bonds issued in the original principal amount of \$5,150,000 and of which \$5,130,000 principal amount remain outstanding; and

(g) Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 3 2009 Special Tax Bonds issued in the original principal amount of \$3,845,000 and of which \$3,820,000 principal amount remain outstanding.

“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 at the request of the Authority.

“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.

“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.

“Rental Payments Custodial Account” means the account established and held by the Custodian pursuant to the Custodial Agreement for the purpose of funding lease payments required to be made by the School District pursuant to that Lease Agreement, dated as of December 1, 2012, by and between the Authority, as lessor, and the School District, as lessee.

“Rental Payment Surplus Account” means the account by such name of the Surplus Fund established and held by the Trustee with respect to the Bonds pursuant to this Indenture and to be administered as provided in 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 \$2,690,074.14, 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 (a) all amounts derived from the Special Tax Bonds; (b) all Residual Special Tax Revenues transferred to the Trustee pursuant to the CFD Bond Indentures; (c) all moneys originally deposited with the Trustee for application for payment of principal or interest on the Bonds and all moneys held by the Trustee in the funds and accounts established herein for payment of the Bonds (excluding the Program Fund, the Authority Administrative Expense Fund, and the Rebate Fund); and (d) investment income with respect to the funds and accounts established hereunder 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 Rating 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.

“School Facilities Custodial Account” means the account by such name established by the Custodian pursuant to the Custodian Agreement.

“School Facilities Surplus Account” means the account by such name of the Surplus Fund established and held by the Trustee with respect to the Bonds pursuant to this Indenture and to be administered as provided in the Indenture.

“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 this Indenture or any Supplemental Indenture or, as to the Special Tax 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 Section 2.02(b) as a record date for the payment of defaulted interest on the Bonds, if any.

“Special Tax Bonds” means, collectively:

- the CFD No. 2 IA 1 2013 Special Tax Bonds,
- the CFD No. 10 IA C 2013 Special Tax Refunding Bonds,
- the CFD No. 10 IA D 2013 Special Tax Refunding Bonds,
- the CFD No. 10 IA E 2013 Special Tax Refunding Bonds,
- the CFD No. 11 IA A 2013 Special Tax Refunding Bonds,
- the CFD No. 11 Zone 1 2013 Special Tax Bonds,
- the CFD No. 11 Zone 2 2013 Special Tax Refunding Bonds, and
- the CFD No. 11 Zone 3 2013 Special Tax Refunding Bonds.

“Special Tax Bonds Purchase Contract” means the Special Tax Bonds Purchase Contract, dated as of January 24, 2013, 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 Special Tax Bonds from the Community Facilities Districts, and the Community Facilities Districts have agreed to sell the Special Tax Bonds to the Authority.

“Special Tax Bonds Resolution of Issuance” means Resolution No. 28-2013 of the Board of Education of the School District, acting in its capacity as the governing body of the Community Facilities District Nos. 2, 10 and 11, adopted on December 10, 2012, providing for the issuance of the Special Tax Bonds and the sale thereof to the Authority.

“Superintendent” means the Superintendent of the School District, acting for and on behalf of the School District or one or more of the Community Facilities Districts.

“Supplemental Indenture” means a Supplemental Indenture of Trust providing for any matter herein 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 this 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 Community Facilities Districts, 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.

“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 Stifel, Nicolaus & Company, Incorporated, dba 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 Special Tax Bonds, funds deposited in the Purchase Account shall immediately be expended for the purchase of each such Series of Special Tax 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 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. Such 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 Special Tax Bonds. The Authority shall collect and receive, or cause to be collected and received by the Trustee, all such Revenues, and Revenues collected or received by the Authority, or collected and received by the Trustee on behalf of the Authority, shall be deemed to be held, and to have been collected or received, by the Authority, in trust, and shall be paid to the Trustee as set forth therein. The Trustee also shall be entitled to and may take all steps, actions, and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately by itself, all of the rights of the Authority and all of the obligations of any Community Facilities District with respect to its Special Tax Bonds.

(c) Subject to the provisions of the Indenture, all Revenues shall be promptly transferred to the Trustee by the Authority. All Revenues, other than Principal Repayments and Residual Special Tax Revenues, 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. All Residual Special Tax Revenues shall be deposited by the Trustee in the Surplus Fund.

Bond Fund; Allocation of Revenues.

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 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 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 Special Tax 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 Special Tax 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 Special Tax 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.

Surplus Fund.

(a) The Authority shall establish with the Trustee a special fund designated the "Surplus Fund" which the Trustee shall maintain and hold in trust. Within the Surplus Fund, the Trustee shall establish special accounts designated as the "Rental Payments Surplus Account" and the "School Facilities Surplus Account." Such fund and accounts shall be held and maintained as separate and distinct funds and accounts.

(b) Following receipt of each notification from the Trustee of the moneys remaining on deposit in the Revenue Fund provided pursuant to the Indenture, the Authority shall provide the Trustee with a Written Certificate directing the Trustee to deposit such moneys into the Rental Payment Surplus Account or the School Facilities Surplus Account of the Surplus Fund, as applicable. The portion of such moneys to be deposited in the Rental Payment Surplus Account shall equal the total of such moneys multiplied by a fraction the numerator of which will equal the aggregate Revenues deposited in the Revenue Fund during the Bond Year in which the Principal Payment

Date on which such notification was given representing the payment of scheduled debt service on the CFD No. 10 IA C Special Tax Refunding Bonds, the CFD No. 10 IA D Special Tax Refunding Bonds, the CFD No. 10 IA E Special Tax Refunding Bonds and the CFD No. 11 IA A Special Tax Refunding Bonds during such Bond Year and the denominator of which will equal the aggregate Revenues deposited in the Revenue Fund during such Bond Year representing the payment of scheduled debt service on all of the Special Tax Bonds during such Bond Year. The portion of such moneys to be deposited in the School Facilities Surplus Account shall equal the total of such moneys multiplied by a fraction the numerator of which will equal the aggregate Revenues deposited in the Revenue Fund during the Bond Year in which the Principal Payment Date on which such notification was given representing the payment of scheduled debt service on the CFD No. 2 IA 1 Special Tax Bonds, the CFD No. 11 Zone 1 Special Tax Bonds, the CFD No. 11 Zone 2 Special Tax Bonds and the CFD No. 11 Zone 3 Special Tax Bonds during such Bond Year and the denominator of which will equal the aggregate Revenues deposited in the Revenue Fund during such Bond Year representing the payment of debt service on all of the Special Tax Bonds during such Bond Year.

Moneys representing Residual Special Taxes received from the applicable Fiscal Agent pursuant to the CFD No. 10 IA C Bond Indenture, the CFD No. 10 IA D Bond Indenture, the CFD No. 10 IA E Bond Indenture and the CFD No. 11 IA A Bond Indenture shall be deposited into the Rental Payment Surplus Account and moneys representing the Residual Special Taxes received from the applicable Fiscal Agent pursuant to the CFD No. 2 IA 1 Bond Indenture, the CFD No. 11 Zone 1 Bond Indenture, the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture shall be deposited into the School Facilities Surplus Account.

(c) Moneys on deposit in the Rent Payment Surplus Account and the School Facilities Surplus Account on or before September 15th of any Bond Year, including any transfers made pursuant to the preceding paragraph, shall be withdrawn proportionately at any time for one or more of the following purposes and shall be transferred by the Trustee as follows:

(i) to the Interest Account or the Principal Account of the Bond Fund, prior to any transfers from the Reserve Fund pursuant to the Indenture, 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 the Interest Account and/or the Principal Account required pursuant to the Indenture;

(ii) 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 to the Interest Account and/or the Principal Account required pursuant to the Indenture;

(iii) 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

(iv) on any Principal Payment Date following any deposits required to be made pursuant to phrases (i) through (iv) 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 Indenture.

(d) Following the receipt of moneys from the Fiscal Agent for any Series of Special Tax Bonds transferred to the Trustee pursuant to the provisions of the applicable CFD Bond Indenture to replenish any advance and transfer from the Rental Payments Surplus Account and/or the School Facilities Surplus Account made pursuant to paragraph (c) above, the Trustee shall deposit such moneys in the Rental Payments Surplus Account and/or the School Facilities Surplus Account pursuant to the Written Request of the Authority directing the transfer of such moneys to the Trustee.

(e) Moneys remaining on deposit in the Rental Payment Surplus Account 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, upon receipt of a joint Written Certificate of the Authority and the School District, be transferred as shall be specified in a Written Certificate to the Custodian, for and on behalf of CFD No. 10 for Improvement Areas C, D and E thereto and CFD No. 11 for Improvement Area A thereto, for deposit in the Rental Payments Custodial

Account, or if the Trustee has been notified in writing by the Authority that the Rental Payments Custodial Account has been closed, to the applicable custodial account established for each such Improvement Area as identified in such notice from the Authority.

Moneys remaining on deposit in the School Facilities Surplus Account 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, upon receipt of a joint Written Certificate of the Authority and the School District, be transferred as shall be specified in such Written Certificate to the Custodian, for and on behalf of CFD No. 2 for Improvement Area 1 thereto, for deposit in the CFD No. 2 IA 1 Custodial Account, or if the Trustee has been notified in writing by the Authority that such account has been closed, to such other account as the Authority may direct in writing.

Moneys remaining on deposit in the School Facilities Surplus Account 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, upon receipt of a joint Written Certificate of the Authority and the School District, be transferred as shall be specified in such Written Certificate to the Custodian, for and on behalf of CFD No. 11 for Zones 1, 2 and 3 thereto, for deposit in the CFD No. 11 Zone 1 Custodial Account, the CFD No. 11 Zone 2 Custodial Account or the CFD No. 11 Zone 1 Custodial Account, as applicable, or if the Trustee has been notified in writing by the Authority that any such account 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 dates 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 partial defeasance of the Bonds shall be applied toward such optional redemption, mandatory redemption, or defeasance of Bonds, as applicable.

If the amounts in the Interest Account and/or the Principal Account of the Bond Fund are insufficient to pay the principal of, including sinking fund payments, or interest on the Bonds when due, the Trustee shall withdraw

from the Reserve Fund for deposit in the Interest Account and/or the Principal Account, as applicable, moneys necessary for such purposes.

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 Special Tax Bonds for deposit in the Redemption Account established pursuant to the applicable CFD Bond Indenture.

The Trustee shall, pursuant to a Written Certificate of the Authority, disburse or transfer from the cash amount then on deposit in the Reserve Fund on the final maturity date of each Series of Special Tax Bonds, an amount equal to the CFD Bonds Reserve Fund Credit Amount applicable to such Series of Special Tax Bonds, minus the amount of any transfer previously made necessitated as a result of a deficiency in the scheduled payment of principal or interest on such Series of Special Tax 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 Special Tax Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on such bonds 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 Special Tax Bonds for deposit in the Authority Administrative Expense Fund to pay Authority Administrative Expenses and shall administer and maintain such Fund as set forth in the Indenture.

The Trustee shall, from time to time, disburse funds from the Authority Administrative Expense Fund for Authority Administrative Expenses upon receipt of a signed requisition 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.

The Authority may at any time after the issuance and delivery of the 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 Revenue Bonds and any other Parity Bonds theretofore issued under this Indenture or under any Supplemental Indenture. Parity Bonds may only be issued for the purpose of refunding 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.

Covenants.

Punctual Payment.

The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Extension of Payment of Bonds.

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal, of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances.

The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its legitimate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge Assignment.

The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Special Tax Bonds and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in

accordance with their terms, and the Authority and the Trustee, subject to the provisions of the Indenture, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all Persons whomsoever.

Accounting Records and Financial Statement.

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the Bond proceeds, the Revenues, the Special Tax Bonds and all funds and accounts established with the Trustee pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, 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 Special Tax Bonds and all funds and accounts established pursuant to the Indenture (other than those records and accounts kept by the Trustee). Such books of record and account shall be available for inspection by the Trustee, 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.

Special Tax Bonds.

The Authority shall cause to be collected and paid to it all Revenues payable with respect to the Special Tax Bonds promptly as such Revenues become due and payable, and shall vigorously enforce and cause to be enforced all rights of the Authority and the Trustee under and with respect to the Special Tax Bonds. Upon any failure of the Authority to perform as required by the Indenture, the Trustee shall, subject to the provisions of the Indenture, take appropriate actions to collect and cause the Revenues to be paid to the Trustee. The Authority shall instruct the CFDs to authenticate and deliver to the Trustee the Special Tax Bonds registered in the name of the Trustee.

Continuing Disclosure.

The Authority has covenanted and agreed that it will carry out the provisions of the Continuing Disclosure Agreement. Notwithstanding any provision in the Indenture to the contrary, failure by the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default for purposes of the Indenture; however, the Bond Owners may take such actions as may be necessary and appropriate, including seeking a mandate or specific performance by court order, to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement, as specified therein.

Compliance with State Reporting Guidelines.

The Authority shall comply with the state of California (the “State”) reporting guidelines as required by the provisions of the Act. Notwithstanding any provision in the Indenture to the contrary, failure by the Authority to comply with the State reporting guidelines shall not be considered an Event of Default for purposes of the Indenture; however, any Bond Owner may take such actions as may be necessary and appropriate, including seeking a mandate or specific performance by court order, to cause the Authority to comply with its obligations under this covenant.

Limitation on Additional Bonds.

The Authority shall not issue any other bonds, or other securities secured by the same Revenues as are used to secure the Bonds. However, the foregoing shall not be interpreted to prevent a refunding of the Bonds, or to prevent the Authority from consenting to a refunding of the Special Tax Bonds, provided that the security of the Owners in the Revenues pledged, or pursuant to the Indenture, is maintained.

Sale of Special Tax Bonds.

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

(a) a certificate from an Independent Accountant or Independent Financial Consultant to the effect that, following the disposition of such Special Tax Bonds, the Revenues to be paid to the Trustee (assuming the timely payment of the amounts due thereon with regard to any Special Tax Bonds not then in default), together with interest and principal due on any 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 Special Tax Bonds is authorized under the provisions of the Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of State or federal income taxation.

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

Further Assurances.

The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Events of Default and Remedies of Bond Owners.

Events of Default; Notice of Event of Default.

With respect to the Bonds, the following events shall be Events of Default:

(a) if default by the Authority shall be made in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for sinking fund redemption, or otherwise;

(b) if default by the Authority shall be made in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable;

(c) if default shall be made by the Authority in the observance of any of the other covenants, agreements, or conditions on its part in the Indenture, if such default shall have continued for a period of thirty (30) days after written notice thereof and specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding as determined in the Indenture; provided, however, if the failure stated in the notice can be corrected (other than a failure to pay the Trustee's fees and expenses, which may only be waived by the Trustee), but not within the applicable period, the Authority, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected; and

(d) the occurrence of an Event of Bankruptcy with respect to the Authority.

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.

(a) The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into (i) to conform to the official statement dated January 24, 2013, 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 Special Tax Bonds.

Nothing in the Indenture, or in any applicable Supplemental Indenture (unless such Supplemental Indenture shall provide expressly to the contrary), shall prohibit the Authority from consenting to the amendment, supplement or other modification of any Special Tax Bonds or the proceedings providing for the issuance thereof provided that the Authority shall first deliver to the Trustee a Written Certificate describing such amendment, supplement, or other modification and stating that such amendment, supplement, or other modification will not adversely affect the security of the Owners of the Bonds under the Indenture and the applicable Supplemental Indenture, together with (i) a certificate of an Independent Financial Consultant stating that such amendment, supplement, or other modification will not adversely impact the Authority's ability to pay principal and interest of the Bonds (used to acquire such Special Tax Bonds); and (ii) an opinion of Authority Bond Counsel that such amendment, supplement or other modification will not impair the exclusion from gross income of interest on the Bonds for purposes of federal income taxation by the United States of America. The Trustee shall take such actions as shall be directed by the Authority in writing in implementation of such amendment, supplement, or other modification, including, without limitation, the acceptance by the Trustee of revised Special Tax Bonds in exchange for the amended, supplemented, or otherwise modified Special Tax Bonds.

Defeasance of the Bonds.

Discharge of Indenture.

The Bonds, or any portion thereof, may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium, if any, on the Bonds or any portion thereof, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee, or other designated escrow holder, in trust (pursuant to an escrow agreement), at or before maturity, Defeasance Obligations in the necessary amount (as provided in the Indenture) to pay or redeem all or any portion of the Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all or any portion of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority including, without limitation, any compensation or other amounts due and owing the Trustee thereunder, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture and the documentation set forth in the following sentence), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. Prior to any defeasance becoming effective, the Authority shall cause to be delivered to the Trustee: (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:

The following terms apply to each of the CFD Bond Indentures except when specified otherwise and except as applied to the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture where the same term is defined below in which case such below definition shall apply.

“2013 Bonds” means:

- a. As to the CFD No. 2 IA 2 Bond Indenture, the \$2,830,000 Poway Unified School District Community Facilities District No. 2 (Subarea IV - Torrey Highlands) Improvement Area 1 Special Tax Bonds, Series 2013;
- b. As to the CFD No. 10 IA C Bond Indenture, the \$2,625,000 Poway Unified School District Community Facilities District No. 10 (Subarea IV - Torrey Highlands) Improvement Area C Special Tax Refunding Bonds, Series 2013;
- c. As to the CFD No. 10 IA D Bond Indenture, the \$4,275,000 Poway Unified School District Community Facilities District No. 10 (Subarea IV - Torrey Highlands) Improvement Area D Special Tax Refunding Bonds, Series 2013;
- d. As to the CFD No. 10 IA E Bond Indenture, the \$4,800,000 Poway Unified School District Community Facilities District No. 10 (Subarea IV - Torrey Highlands) Improvement Area E Special Tax Refunding Bonds, Series 2013;
- e. As to the CFD No. 11 IA A Bond Indenture, the \$9,685,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Improvement Area A Special Tax Refunding Bonds, Series 2013;
- f. As to the CFD No. 11 Zone 1 Bond Indenture, the \$10,310,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 1 Special Tax Bonds, Series 2013;
- g. As to the CFD No. 11 Zone 2 Bond Indenture, the \$1,870,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 2 Special Tax Refunding Bonds, Series 2013; and
- h. As to the CFD No. 11 Zone 3 Bond Indenture, the \$1,390,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 3 Special Tax Refunding Bonds, Series 2013.

“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 the School District, District, or any designee thereof related to an appeal of the Special Tax; and the costs of any credit enhancement obtained by the School District or the District and (b) the District’s Proportionate Share of the Authority Administrative Expenses. Administrative Expenses shall also include Delinquency Collection Expenses.

“Administrative Expense Requirement” means an annual amount equal to \$25,000 as to the CFD No. 6 IA A Bond Indenture, \$20,000.00 as to the CFD No. 2 IA 1 Indenture, \$18,284.92 as to the CFD No. 10 IA C Bond Indenture, \$18,284.92 as to the CFD No. 10 IA D Bond Indenture, \$18,284.92 as to the CFD No. 10 IA E Bond Indenture, \$23,433.19 as to the CFD No. 11 IA A Bond Indenture; \$22,975.15 as to the CFD No. 11 Zone 1 Bond

Indenture, \$22,975.15 as to the CFD No. 11 Zone 2 Bond Indenture and \$22,975.15 as to the CFD No. 11 Zone 3 Bond Indenture.

“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 January 1, 2013, 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 2013 Special Tax Revenue Bonds.

“Authority Reserve Fund” means the Reserve Fund established pursuant to the Authority Indenture.

“Authority Reserve Requirement” has 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 this Indenture and all other agreements related hereto.

“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 created and established pursuant to the Indenture.

“Bond Year” means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which 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, as to any series of the 2013 Bonds, such 2013 Bonds and any Parity Bonds at any time Outstanding pursuant to the applicable Indenture.

“Business Day” means a day that is not a Saturday or a Sunday or a day of the year on which banks in New York, New York and Los Angeles, California, or where the Principal Corporate Trust Office is located, are not required or authorized to remain open.

“CFD No. 2” means Poway Unified School District Community Facilities District No. 2 (Torrey Highlands – Subarea IV).

“CFD No. 11” means Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates).

“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 all costs of issuing the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this 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 and which are non-callable.

“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 fees, foreclosure counsel fees 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 the date on which any Series of the Bonds are issued and delivered to the initial purchaser thereof. The Delivery Date of the 2013 Bonds shall be February 14, 2013.

“Depository” means DTC and its successors and assigns if and when the Bonds may be registered with the Depository or if the Bonds having been registered with a Depository, (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 this 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 Superintendent.

“Developed Property” shall have the meaning given such term in the Special Tax RMA as.

“District” or “CFD No. 10” means Poway Unified School District Community Facilities District No. 10 (Torrey Highlands - Subarea IV).

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Agent” means, as to each CFD Bond Indenture except the CFD No. 2 IA 1 Bond Indenture, Zions First National Bank, acting as escrow agent under and pursuant to the Escrow Agreement.

“Escrow Agreement” means, as to each CFD Bond Indenture except the CFD No. 2 IA 1 Bond Indenture, the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture, that Escrow Deposit and Trust Agreement, dated as of January 1, 2013, between the District and the Escrow Agent related to the defeasance and refunding of the Prior Special Tax Bonds. “Escrow Agreement” means, as to the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture, that Escrow Deposit and Trust Agreement, dated as of January 1, 2013, between the Authority, the District and the Escrow Agent related to the partial defeasance of the 2009 Authority 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 January 1, 2013, among the Authority, the School District, CFD No. 2, CFD No. 10 and CFD No. 11.

“Improvement Area” means:

- (a) as to the CFD No. 2 IA 1 Bond Indenture, Improvement Area 1 of CFD No. 2;
- (b) as to the CFD No. 10 IA C Bond Indenture, Improvement Area C of CFD No. 10;

- (c).as to the CFD No. 10 IA D Bond Indenture, Improvement Area D of CFD No. 10;
- (d) as to the CFD No. 10 IA E Bond Indenture, Improvement Area E of CFD No. 10; and
- (e) as to the CFD No. 11 IA A Bond Indenture, Improvement Area A of CFD No. 10.

“Indenture” means, as applicable, the Bond Indenture, dated as of January November 1, 2011, by and between the applicable District and the Fiscal Agent as to each Series of Special Tax Bonds, 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.

“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>); provided, however, in accordance with the current guidelines of the Securities and Exchange Commission, “Information Services” shall mean such other organizations providing information with respect to called bonds as the District may designate in a Written Certificate of the District delivered to the Trustee.

“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 September 1, 2013 as to the 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 2013 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 or Zone 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.

“Proportionate Share” shall have the meaning given such term in the Funding Agreement.

“Record Date” means the fifteenth (15th) calendar day of the month immediately preceding a Bond Payment Date or an Interest Payment Date, as applicable, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Regulations” means the regulations promulgated under the Internal Revenue Code of 1986, as amended.

“Rental Payments Surplus Account” means the account by that name established by the Authority Trustee pursuant to the Authority Indenture.

“School District” means the Poway Unified School District.

“School Facilities” means, as to the CFD No. 2 IA 1 Bond Indenture, those school facilities authorized to be financed by the District for Improvement Area 1 pursuant to Resolution No. 27-2010 and Resolution No. 28-2010 adopted by the Board of Education designating Improvement Area 1 and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities as such authorization is supplemented by the Supplement to Subarea IV Torrey Highlands School Impact Mitigation Agreement made and entered into as of December 14, 2009, by and between the School District and Pardee Homes.

“School Facilities” shall have the meaning, as to the CFD No. 11 Zone 1 Bond Indenture, has the meaning given such term in the School Impact Mitigation and Public Facilities Funding Agreement between the School District and Sycamore Estates, LLC, a Delaware limited liability company, Sycamore II Estates, LLC, a Delaware limited liability company, McMillin Montecito 109, LLC, a Delaware limited liability company, Brookfield 6, LLC, a Delaware limited liability company and Brookfield 8, LLC, a Delaware limited liability company, as it may be amended, superseded or supplemented by the parties thereto.

“School Facilities Costs” means the amounts necessary to pay for the acquisition or construction of School Facilities and incidental expenses associated therewith of the type authorized to be financed under the Act.

“School Facilities Fund” means, as to the CFD No. 2 IA 1 Bond Indenture and the CFD No. 11 Zone 1 Bond Indenture, the fund by that name established pursuant to such Indentures.

“School Facilities Surplus Account” means the account by that name established by the Authority Trustee pursuant to the Authority Indenture.

“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. 2 IA 1 Bond Indenture, the Special Tax authorized to be levied in Improvement Area No. 2 of CFD No. 2 pursuant to the Mello-Roos Act and the Special Tax RMA;

b. as to the CFD No. 10 IA C Bond Indenture, the Special Tax authorized to be levied in Improvement Area No. C of CFD No. 10 pursuant to the Mello-Roos Act and the Special Tax RMA;

c. as to the CFD No. 10 IA D Bond Indenture, the Special Tax authorized to be levied in Improvement Area No. D of CFD No. 10 pursuant to the Mello-Roos Act and the Special Tax RMA;

d. as to the CFD No. 10 IA E Bond Indenture, the Special Tax authorized to be levied in Improvement Area No. E of CFD No. 10 pursuant to the Mello-Roos Act and the Special Tax RMA;

e. as to the CFD No. 11 IA A Bond Indenture, the Special Tax authorized to be levied in Improvement Area No. A of CFD No. 11 pursuant to the Mello-Roos Act and the Special Tax RMA;

f. as to the CFD No. 11 Zone 1 Bond Indenture, the Special Tax authorized to be levied in Zone 1 of CFD No. 11 pursuant to the Mello-Roos Act and the Special Tax RMA;

g. as to the CFD No. 11 Zone 2 Bond Indenture, the Special Tax authorized to be levied in Zone 2 of CFD No. 11 pursuant to the Mello-Roos Act and the Special Tax RMA; and

h. as to the CFD No. 11 Zone 3 Bond Indenture, the Special Tax authorized to be levied in Zone 3 of CFD No. 11 pursuant to the Mello-Roos Act and the Special Tax RMA.

“Special Tax Bonds” shall have the meaning given such term in the Authority Indenture.

“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. 2 IA 1 Bond Indenture, means the rate and method of apportionment of the Special Tax approved at the special election held in Improvement Area 1 on December 14, 2009, as may be modified from time to time in accordance with the Act;

b. as to the CFD No. 10 IA C Bond Indenture, means the rate and method of apportionment of the Special Tax approved at the special election held in Improvement Area C on June 3, 2003, as may be modified from time to time in accordance with the Act;

c. as to the CFD No. 10 IA D Bond Indenture, means the rate and method of apportionment of the Special Tax approved at the special election held in Improvement Area D on August 27, 2001, as may be modified from time to time in accordance with the Act;

d. as to the CFD No. 10 IA E Bond Indenture, means the rate and method of apportionment of the Special Tax approved at the special election held in Improvement Area E on August 27, 2001, as may be modified from time to time in accordance with the Act;

e. as to the CFD No. 11 IA A Bond Indenture, means the rate and method of apportionment of the Special Tax approved at the special election held in Improvement Area A on January 20, 2004, as may be modified from time to time in accordance with the Act;

f. as to the CFD No. 11 Zone 1 Bond Indenture, means the rate and method of apportionment of the Special Tax approved at the special election held in Zone 1 on January 20, 2004, as may be modified from time to time in accordance with the Act;

g. as to the CFD No. 11 Zone 2 Bond Indenture, means the rate and method of apportionment of the Special Tax approved at the special election held in Zone 2 on January 20, 2004, as may be modified from time to time in accordance with the Act; and

h. as to the CFD No. 11 Zone 3 Bond Indenture, means the rate and method of apportionment of the Special Tax approved at the special election held in Zone 3 on January 20, 2004, as may be modified from time to time in accordance with the 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.

The following definitions apply only to the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture, as applicable:

“2009 Authority Administrative Expense Fund” has the meaning given the term “Authority Administrative Expense Fund” in the 2009 Authority Indenture.

“2009 Authority Administrative Expenses” has the meaning given the term “Authority Administrative Expenses” in the 2009 Authority Indenture.

“2009 Authority Bonds” means the \$8,995,000 Poway Unified School District Public Financing Authority 2009 Revenue Bonds issued pursuant to the 2009 Authority Indenture.

“2009 Authority Bonds Escrow Agreement” means that Escrow Trust and Deposit Agreement, dated as of January 1, 2013, by and between the District and Zions First National Bank, as the 2009 Authority Bonds Escrow Bank and the Authority Trustee.

“2009 Authority Bonds Escrow Bank” shall mean Zions First National Bank, in its capacity as the Escrow Bank pursuant to the 2009 Authority Bonds Escrow Agreement.

“2009 Authority Bonds Escrow Fund” shall mean the Escrow Fund established pursuant to the 2009 Authority Bonds Escrow Agreement.

“2009 Authority Indenture” means that Indenture of Trust, dated as of June 1, 2009, by and between the Authority and the Authority Trustee pertaining to the 2009 Authority Bonds.

“2009 Authority Reserve Fund” means the Reserve Fund established pursuant to the 2009 Authority Indenture.

“2009 Authority Reserve Requirement” has the meaning given to the term “Reserve Requirement” in the 2009 Authority Indenture.

“2009 Authority Trustee” means Zions First National Bank, acting in its capacity as trustee pursuant to the 2009 Authority Indenture.

“2009 Excess Authority Rebate Obligation” means that portion of any obligation of the Authority to make a payment to the United States pursuant to the 2009 Authority Indenture that exceeds the funds then on deposit in the Rebate Fund established pursuant to the 2009 Authority Indenture.

“2009 Funding Agreement” means the Funding Allocation Agreement, dated as of June 1, 2009, among the Authority, the School District and CFD No. 11.

“2009 Proportionate Share” shall have the meaning given the term “Proportionate Share” in the 2009 Funding Agreement.

“2009 Rebate Fund” means the Rebate Fund established pursuant to the 2009 Authority Indenture.

“2013 Authority Administrative Expense Fund” has the meaning given the term “Authority Administrative Expense Fund” in the 2013 Authority Indenture.

“2013 Authority Administrative Expenses” has the meaning given the term “Authority Administrative Expenses” in the 2013 Authority Indenture.

“2013 Authority Indenture” means that Indenture of Trust, dated as of January 1, 2013, by and between the Authority and the 2013 Authority Trustee pertaining to the 2013 Authority Bonds.

“2013 Authority Reserve Fund” means the Reserve Fund established pursuant to the 2013 Authority Indenture.

“2013 Authority Reserve Requirement” has the meaning given to the term “Reserve Requirement” in the 2013 Authority Indenture.

“2013 Authority Trustee” means Zions First National Bank, acting in its capacity as trustee pursuant to the 2013 Authority Indenture.

“2013 Bond Indenture” means this Bond Indenture, dated as of January 1, 2013, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture to provide for the issuance of the Zone 2 2013 Bonds or the Zone 3 2013 Bonds, as applicable.

“2013 Excess Authority Rebate Obligation” means that portion of any obligation of the Authority to make a payment to the United States pursuant to the 2013 Authority Indenture that exceeds the funds then on deposit in the Rebate Fund established pursuant to the 2013 Authority Indenture.

“2013 Funding Agreement” means the Funding Allocation Agreement, dated as of January 1, 2013, among the Authority, Poway Unified School District Community Facilities District No. 2 (Torrey Highlands – Subarea IV), Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) and CFD No. 11.

“2013 Proportionate Share” has the meaning given the term “Proportionate Share” in the 2013 Funding Agreement.

“2013 Rebate Fund” means the Rebate Fund established pursuant to the 2013 Authority Indenture.

“Administrative Expenses” is amended to mean (a) the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Zone 2 Special Taxes or the Zone 3 Special Taxes, as applicable, and preparing the annual collection schedules for the Zone 2 Special Taxes or the Zone 3 Special Taxes, as applicable, (whether by the School District or a designee thereof or both); the costs of collecting the Zone 2 Special Taxes (whether by the County of San Diego, the School District or otherwise); the costs of remitting the Zone 2 Special Taxes or the Zone 3 Special Taxes, as applicable, 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 this Indenture; the costs of the School District, the District, or any designee thereof of complying with School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the Act; the costs associated with preparing Zone 2 Special Tax or the Zone 3 Special Tax, as applicable, disclosure statements and responding to public inquiries regarding the Zone 2 Special Taxes or the Zone 3 Special Taxes, as applicable; the costs of the School District, District, or any designee thereof related to an appeal of the Zone 2 Special Tax or the Zone 3 Special Tax, as applicable; and the costs of any credit enhancement obtained by the School District or the District and (b) the District's 2009 Proportionate Share of the 2009 Authority Administrative

Expenses and the District's 2013 Proportionate Share of the 2013 Authority Administrative Expenses. Administrative Expenses shall also include Delinquency Collection Expenses.

"Authority Administrative Expenses" is amended to mean, as to the 2009 Authority Bonds, the 2009 Authority Administrative Expenses, and, as to the 2013 Authority Bonds, the 2013 Authority Administrative Expenses.

"Authority Administrative Expense Fund" means, as to the 2009 Authority Bonds, the 2009 Authority Administrative Expense Fund, and, as to the 2013 Authority Bonds, the 2013 Authority Administrative Expense Fund.

"Authority Indenture" is amended to mean, as to the 2009 Authority Bonds, the 2009 Authority Indenture, and, as to the 2013 Authority Bonds, the 2013 Authority Indenture.

"Authority Reserve Fund" means, as to the 2009 Authority Bonds, the 2009 Authority Reserve Fund, and, as to the 2013 Authority Bonds, the 2013 Authority Reserve Fund.

"Authority Reserve Requirement" means, as to the 2009 Authority Bonds, the 2009 Authority Reserve Requirement, and, as to the 2013 Authority Bonds, the 2013 Authority Reserve Requirement.

"Authority Trustee" is amended to mean, as to the 2009 Authority Bonds, the 2009 Authority Trustee, and, as to the 2013 Authority Bonds, the 2013 Authority Trustee.

"Excess Authority Rebate Obligation" means, as to the 2009 Authority Bonds, the 2009 Excess Authority Rebate Obligation, and, as to the 2013 Authority Bonds, the 2013 Excess Authority Rebate Obligation.

"Interest Payment Date" means March 1 and September 1 of each year, commencing March 1, 2010 as to the Zone 2 2009 Bonds or the Zone 3 2009 Bonds, as applicable, and March 1, 2013 as to the Zone 2 2013 Bonds and the Zone 3 2013 Bonds, as applicable.

"Rebate Fund" means, as to the 2009 Authority Bonds, the 2009 Rebate Fund, and, as to the 2013 Authority Bonds, the 2013 Rebate Fund.

"Zone 2 2009 Bonds" means the \$5,150,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 2 2009 Special Tax Bonds.

"Zone 2 Bonds" means the Zone 2 2009 Bond, the Zone 2 2013 Bonds and any Zone 2 Parity Bonds authorized and issued by and any time outstanding pursuant to the Indenture.

"Zone 2 2013 Bonds" means the \$1,870,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 2 Special Tax Bonds, Series 2013.

"Zone 2 Bonds" means the Zone 2 2009 Bond, the Zone 2 2013 Bonds and any Zone 2 Parity Bonds authorized and issued by and any time outstanding pursuant to the Indenture.

"Zone 3 2009 Bonds" means the \$3,845,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 3 2009 Special Tax Bonds.

"Zone 3 2013 Bonds" means the \$1,390,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Zone 3 Special Tax Bonds, Series 2013.

"Zone 3 Bonds" means the Zone 3 2009 Bond, the Zone 3 2013 Bonds and any Zone 3 Parity Bonds authorized and issued by and any time outstanding pursuant to the Indenture.

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:

The following paragraphs are applicable only to the CFD No. 10 IA C Bond Indenture, the CFD No. 10 IA D Bond Indenture, the CFD No. 10 IA E Bond Indenture and the CFD No. 11 IA A Bond Indenture.

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 or the Supplemental 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, pursuant to a Written Request of the Authority, transfer to the Authority Trustee the amount, if any, necessary to replenish amounts advanced and transferred from the Rental Payments Surplus Account and/or the School Facilities Surplus Account pursuant to phrases (i) through (iv) of paragraph (c) of the summary of the Authority Indenture above, but only to the extent that any such advance and transfer was attributable, as determined by the Authority as reflected in such Written Request 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. After making the transfer and deposits required under 1. through 4. above, the Fiscal Agent shall, pursuant to a Written Request of the Authority, 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 as reflected in such Written Request upon request of the Trustee to so determine, to a deficiency in the amount of debt service received by the Authority on the Bonds.

6. On September 2 of each year after making the deposits and transfers required under 1. through 5. above, 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.

7. On September 2 of each year after making the deposits and transfers required under 1. through 6. 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:

(i) those Administrative Expenses that the District reasonably believes will become due and payable during such Bond Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund;

(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.

8. 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 7. 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.

The following paragraphs are applicable only to the CFD No. 2 IA 1 Bond Indenture and the CFD No. 11 Zone 1 Bond Indenture.

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 or the Supplemental 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, pursuant to a Written Request of the Authority, 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 as reflected in such Written Request 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:

(i) those Administrative Expenses that the District reasonably believes will become due and payable during such Bond Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund;

(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.

The following paragraphs are applicable only to the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture.

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 Zone 2 or Zone 3 Bonds, as applicable, or to be paid on the Zone 2 or Zone 3 Bonds, as applicable, being redeemed on such date.

3. The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Interest Payment Date and redemption date on which the principal of the Zone 2 Term Bonds or the Zone 3 Term Bonds, as applicable, 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 Zone 2 or Zone 3 Bonds, as applicable, coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Indenture or the Supplemental Indenture providing for the issuance of such Zone 2 or Zone 3 Bonds, as applicable.

4. After making the transfer and deposits required under 1. through 3. above, the Fiscal Agent shall, pursuant to a Written Request of the Authority, 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 as reflected in such Written Request upon request of the Trustee to so determine, to a deficiency in the amount of debt service received by the Authority on the Zone 2 or Zone 3 Bonds, as applicable.

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:

(i) those Administrative Expenses that the District reasonably believes will become due and payable during such Bond Year or the cost of which Administrative Expenses have

previously been incurred and paid by the District from funds other than the Administrative Expense Fund;

(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.

The following paragraphs are applicable to all CFD Bond Indentures except as specified therein.

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 (*or in the case of the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture*) any Zone 2 or Zone 3 Bonds, as applicable, 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. Interest Account.

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 (*or in the case of the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture*) any Zone 2 or Zone 3 Bonds, as applicable, as it shall become due and payable (including accrued interest on any Bonds (*or in the case of the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture*) any Zone 2 or Zone 3 Bonds, as applicable, redeemed prior to maturity).

B. Principal Account.

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 (*or in the case of the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture*) the Zone 2 or Zone 3 Bonds, as applicable, at the maturity thereof or (2) paying the mandatory sinking fund redemption price of the Bonds (*or in the case of the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture*) the Zone 2 or Zone 3 Bonds, as applicable,.

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 in the case of the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture*) any Zone 2 or Zone 3 Bonds, as applicable, or redeeming Bonds (*or in the case of the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture*) any Zone 2 or Zone 3 Bonds, as applicable, 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 or the Surplus Special Tax Fund, as applicable.

Administrative Expense Fund.

The Fiscal Agent shall deposit from time to time the amounts authorized for deposit therein pursuant to the Indenture. The moneys in the Administrative Expense Fund shall be used: (i) to pay Administrative Expenses from time to time upon receipt by the Fiscal Agent of a written request of the District executed by an Authorized Representative 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 (*or as applicable to the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture*) Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, 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 the Owners of all Bonds then Outstanding.

If at any time the District shall desire to approve a Supplemental Indenture, which pursuant to the terms of the Indenture shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the bond register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as provided in the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to the approval thereof by the Legislative Body substantially in the form of the copy thereof referred to in such Notice as on file with the District, such proposed Supplemental Indenture, when duly approved by the Legislative Body, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the approval of any Supplemental Indenture, Bonds which are known to the Fiscal Agent to be owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the approval of any Supplemental Indenture 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.

The following provisions are applicable to each Indenture except the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture.

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; provided, however, the amount which is required to 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;

(3) An opinion of Bond Counsel to the effect that (a) the District has the right and 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.

The following paragraphs shall be applicable only to the CFD No. 11 Zone 2 Bond Indenture and the CFD No. 11 Zone 3 Bond Indenture.

Subject to the satisfaction of the specific conditions set forth in this Section 2.13, the District may at any time after the issuance and delivery of the Zone 2 2009 Bonds or Zone 3 2009 Bonds, as applicable, issue Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, payable from Net Zone 2 Special Tax Revenues or Net Zone 3 Special Tax Revenues, as applicable, 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Zone 2 Bonds or the Outstanding Zone 3 Bonds, as applicable, and any other Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, theretofore issued under this Indenture or under any Supplemental Indenture; provided, however, that Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, may only be used for the purpose of financing additional School Facilities Costs or refunding

all or a portion of the Zone 2 Bonds or the Zone 2 Bonds, as applicable, or any Zone 2 Parity Bonds or any Zone 3 Bonds, as applicable, then outstanding.

The issuance of any Series of Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, shall be subject to the following additional specific conditions, which are conditions precedent to the issuance of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable:

A. The aggregate principal amount of the CFD No. 11 Bonds issued may not exceed \$60,000,000; provided, however, that, notwithstanding the foregoing, Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, may be issued at any time to refund Outstanding Zone 2 Bonds where the issuance of such Zone 2 Parity Bonds results in a reduction of Annual Debt Service on Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable.

B. The District shall be in compliance with all covenants set forth in this 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, the District will be in compliance with all such covenants.

C. The issuance of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, to be applied solely for the purpose of financing additional School Facilities Costs or refunding any Outstanding Zone 2 2009 Bonds or any Outstanding Zone 3 2009 Bonds, as applicable, or Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, including payment of all costs incidental to or connected with such bonds;

2. The authorized principal amount of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable;

3. The date and the maturity date or dates of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable; provided that (a) each maturity date shall fall on a September 1, (b) all such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, on or before their respective maturity dates;

4. The description of the Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, the place of payment thereof and the procedure for execution and authentication;

5. The denominations and method of numbering of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable;

6. The amount and due date of each mandatory sinking fund payment, if any, for such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable;

7. The amount, if any, to be deposited from the proceeds of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, in (a) the Authority Reserve Fund to increase the amount therein to equal the Proportionate Share of the Authority Reserve Requirement allocable to the Outstanding Zone 2 Bonds or the Outstanding Zone 3 Bonds, as applicable, including such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, , on the Delivery Date of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, or (b) a separate reserve fund established pursuant to the Supplemental Indenture providing for the issuance of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, to fund the amount equal to the reserve requirement for such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, which shall, as of any date of calculation, be equal to the least of: (i) 10% of the initial principal amount of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable; (ii) Maximum Annual Debt Service on such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable; or (iii) 125% of average Annual Debt Service on such

Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable; provided, however, the amount which is required to be maintained in any reserve fund which is established for such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable; 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable;

2. A written request of the District as to the delivery of such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable;

3. An opinion of Bond Counsel to the effect that (a) the District has the right and power under the Act to adopt the Supplemental Indenture relating to such Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, 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 Zone 2 Special Tax Revenues or the Net Zone 3 Special Tax Revenues, as applicable, 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, have been duly and validly authorized and issued in accordance with the 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Zone 2 2009 Bonds or the Zone 3 2009 Bonds and any Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Zone 2 Bonds or Outstanding Zone 3 Bonds, as applicable, the Zone 2 2009 Bonds or the Zone 3 2009 Bonds, as applicable, and Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, 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;

5. A certificate of an Authorized Representative certifying that the District has received a certificate from one or more Independent Financial Consultants which, when taken together, certify that:

(a) the amount of the maximum Zone 2 Special Taxes or Zone 3 Special Taxes, as applicable, that may be levied pursuant to the Special Tax RMA in each remaining Bond Year based:

(i) solely on the Developed Property located within Zone 2 existing as of the date of such certificate (but excluding all Developed Property on which the payment of the Zone 2 Special Taxes or the Zone 3 Special Taxes, as applicable, are delinquent as of a date which is not more than 30 days prior to the date of such certificate) shall be not less than 1.00 times Annual Debt Service for each remaining Bond Year on all

Outstanding Zone 2 Bonds theretofore issued and the Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, proposed to be issued; and

(ii) on all Taxable Property located within Zone 2 or Zone 3, as applicable, existing as of the date of such certificate (but excluding all Taxable Property on which the payment of the Zone 2 Special Taxes or Zone 3 Special Taxes, as applicable, are delinquent as of a date which is not more than 30 days prior to the date of such certificate) shall be not less than 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Zone 2 Bonds or Outstanding Zone 3 Bonds, as applicable, theretofore issued and the Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable, proposed to be issued;

provided that, for purposes of making the certifications required by this subsection 2.13.D.5(a), the Independent Financial Consultant may rely on reports or certificates of such other persons as may be acceptable to the District, Bond Counsel and the underwriter of the proposed Zone 2 Parity Bonds; and

(b) the aggregate appraised or assessed value of all Taxable Property located within Zone 2 or Zone 3, as applicable, as shown on the latest assessment roll maintained by the County Assessor of the County of San Diego (but excluding all such Taxable Property on which the payment of the Zone 2 Special Taxes or the Zone 3 Special Taxes, as applicable, is delinquent as of a date which is not more than 30 days prior to the date of the certificate) is not less than five (5) times the aggregate amount of Land Secured Debt allocable to such Taxable Property; and

6. 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 Zone 2 Parity Bonds or Zone 3 Parity Bonds, as applicable.

Covenants.

As long as the Bonds are Outstanding and unpaid, the District shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants and agreements set forth in the Indenture; provided, however, that said covenants do not require the District to expend any funds other than the Special Tax Revenues or Surplus Special Tax Revenues, as applicable.

A. On or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Special Tax levied in such Fiscal Year to determine the amount of Special Tax actually collected in such Fiscal Year. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$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 proceeds of the Bonds to any non-governmental units.

H. The District covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Authority Bonds under Section 103 of the Code. The District will not directly or indirectly use or permit the use of any proceeds of the Authority Bonds or any other funds of the District, or take or omit to take any action, that would cause the Authority Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. To that end, the District will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds and the Authority Bonds. In the event that at any time the District is of the opinion that for purposes of the Indenture it is necessary to restrict or limit the yield on the investment of any moneys held under the Indenture or otherwise the District shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed, or final Treasury Regulations as may be applicable to the Bonds and the District’s Proportionate Share of the Authority Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The District specifically covenants to transfer or cause to be transferred to the Authority Trustee any amount necessary to pay the District’s Proportionate Share of any Excess Authority Rebate Obligation.

Notwithstanding any provision of the Indenture, if the District shall obtain an opinion of Bond Counsel to the effect that any action required under this covenant is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Authority Bonds pursuant to Section 103 of the Code, the Fiscal Agent may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenant thereunder shall be deemed to be modified to that extent.

I. The District shall not directly or indirectly extend the maturity dates of the Bonds or the time of payment of interest with respect thereto.

J. Not later than October 30th of each year, commencing October 30, 2012, and until October 30th following the final maturity of the Bonds, the District shall supply or cause to be supplied to the California Debt and Investment Advisory Commission by mail, postage prepaid, the information, if any, then required by Government Code Section 53359.5 to be submitted to such agency.

K. The District covenants that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting tender of Bonds in full payment or partial payment of any Special Taxes unless it first receives a certificate of an Independent Financial Consultant that accepting such tender will not result in the District having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds when due.

L. The District shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the District under the provisions of the Indenture. The District warrants that upon the date of execution and delivery of the Bonds, the conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the execution and delivery of such Bonds do exist, have happened and have been performed and the execution and delivery of the Bonds shall comply in all respects with the applicable laws of the State.

Defeasance.

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding 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's fees and expenses, which must be cured within such thirty-day period unless waived by the Fiscal Agent) shall not constitute an event of default under the Indenture if the District shall commence to cure such default within said thirty-day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time.

D. The filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions

of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Application of Revenues and Other Funds After Default.

If a default in the payment of the Bonds shall occur and be continuing, all revenues and any other funds then held or thereafter received under any of the provisions of the Indenture shall be applied as follows and in the following order:

A. to the payment of any expenses necessary in the opinion of the District to protect the interest of the Owners of the Bonds and payment of reasonable charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

B. to the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity of redemption, and if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without discrimination or preference.

Remedies of Owners.

Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

A. by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers, or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

B. by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

C. by a suit in equity to require the District and its members, officers, and employees to account as the trustee of an express trust.

Nothing in any other provision of the Indenture or the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as therein provided, out of the Net Special Tax Revenues or Net Surplus Special Tax Revenue, as applicable, pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture. The principal of the Bonds shall not be subject to acceleration thereunder.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action, or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights, and remedies as if such suit, action, or proceeding had not been brought or taken.

No remedy in the Indenture conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and entered into as of January 1, 2013, 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. 2 (Subarea IV – Torrey Highlands) of the Poway Unified School District (“Community Facilities District No. 2”) with respect to Improvement Area 1, 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 C, D and E and Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District (“Community Facilities District No. 11”) with respect to Improvement Area A and Zones 1, 2 and 3; and collectively with Community Facilities District No. 2 and Community Facilities District No. 10, the “Districts”), Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States of America (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 2013 Special Tax Revenue Refunding Bonds (the “Bonds”);

WITNESSETH:

WHEREAS, pursuant to the Bond Indenture, dated as of January 1, 2013 (the “Authority Indenture”), by and between the Authority and the Trustee, the Authority has issued the Bonds in the aggregate principal amount of \$_____; and

WHEREAS, the Bonds are being issued to acquire eight series of special tax bonds (the “CFD Bonds”). The CFD 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 January 1, 2013, each by and between the applicable District and Zions First National Bank, as Fiscal Agent (collectively, the “Fiscal Agent”);

WHEREAS, each Series of CFD Bonds is payable from and secured by special taxes levied on certain of the property within the applicable Improvement Area or Zone;

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Purpose of the Disclosure Agreement. The Disclosure Agreement is being executed and delivered by the Authority and the Districts for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Authority Indenture and the 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 year ends, 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. 2 (Subarea IV – Torrey Highlands) of the Poway Unified School District, Community Facilities District No. 10 (Torrey Highlands – Subarea IV) of the Poway Unified School District and Community Facilities District No. 11 (StoneBridge Estates) 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” shall mean Improvement Area 1 of Community Facilities District No. 2 (Subarea IV – Torrey Highlands), Improvement Areas C, D and E of Community Facilities District No. 10 (Torrey Highlands – Subarea IV) and Improvement Area A of Community Facilities District No. 11 (StoneBridge Estates), as applicable.

“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.

“Zone” or “Zones” shall mean Zone 1, Zone 2 and Zone 3 of Community Facilities District No. 11 (StoneBridge Estates), as applicable.

Section 3. Provision of Annual Reports.

(a) The Authority and each District shall, or, shall cause the Dissemination Agent to, not later than the Annual Report Date commencing January 31, 2014, 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 the 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 the 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 the 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. Content of Annual Reports. An Annual Report shall contain or incorporate by reference the following:

(a) With respect to the Authority, the Authority's Annual Report shall provide the following information:

(i) Audited Financial Statements of the Authority prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If audited financial statements are not available, at the time required for filing, unaudited financial statements shall be submitted with the Annual Report, and audited financial statements shall be submitted once available. For purposes of this section, the financial statements of the School District shall be deemed to be the financial statements of the Authority.

(ii) The following information regarding the Bonds and any refunding bonds:

(1) Principal amount of Bonds and any refunding bonds outstanding as of a date within 60 days preceding the date of the Annual Report;

(2) Balance in the Bond Fund as of a date within 60 days preceding the date of the Annual Report; and

(3) Balance in the Reserve Fund and statement of Reserve Requirement as of a date within 60 days preceding the date of the Annual Report.

(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), the applicable Zone(s) and its applicable CFD Bonds:

(i) A table summarizing assessed value-to-lien ratios for the property in each applicable Improvement Area or Zone 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 or Zone 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 Bonds and any parity bonds with respect to the applicable Improvement Area(s) or Zone(s), but need not include other debt secured by a tax or assessments levied on parcels within an Improvement Area or Zone and estimated debt service on any bonds or parity bonds of the District for the related bond year.

(ii) Information regarding the annual special taxes levied with respect to the applicable Improvement Area(s) or Zone(s), whether in the case of Developed Property the amounts are the maximum available levy under the Rate and Method of Apportionment of Special Tax, the 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) or Zone(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) or Zone(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) or Zone(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) or Zone(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) or Zone(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) or Zone(s) approved or submitted to the qualified electors of the applicable Improvement Area(s) or Zone(s) for approval prior to the filing of the Annual Report; and

(ix) With respect to each applicable Improvement Area or Zone, the following information:

- The amount of bonds authorized for the applicable Improvement Area(s) or Zone(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. Reporting of Listed Events.

(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 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;⁽¹⁾
- (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), (xii), (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).

⁽¹⁾ 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.

(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.

Section 6. Termination of Reporting Obligation. All of the Authority's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the Bonds, (ii) prior redemption of the Bonds, or (iii) payment in full of all the Bonds. All of a District's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of such District's CFD Bonds, (ii) prior redemption of such District's CFD Bonds, or (iii) payment in full of all such District's CFD 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. Dissemination Agent. The Authority and the Districts may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out their obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Dolinka Group, 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. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority, the Districts, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Authority and the Districts, so long as such amendment does not adversely affect the rights or obligations of the Trustee or the Dissemination Agent, as applicable), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, the CFD 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. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority or a District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority or a District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority or such District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Authority, a District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee) or any owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority, the Districts, the Trustee or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Authority Indenture or a 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 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 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 Bonds, the Authority or a District except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may

conclusively rely on the determination of the Authority and the Districts as to the materiality of any event for purposes of Section 5 hereof. Neither the Trustee nor the Dissemination Agent make any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent shall be paid compensation by the Authority and the Districts for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Authority and Districts' obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 12. Beneficiaries. The Participating Underwriter 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. Notices. Any notice or communications to or among any of the parties to this Disclosure Agreement shall be given to all of the following and may be given as follows:

If to the Authority or a Community Facilities District	Poway Unified School District Public Financing Authority 15250 Avenue of Science San Diego, California 92128-3406 Telephone: 858/679-2501 Telecopier: 858/513-0967 Attention: Superintendent
If to the Dissemination Agent:	Dolinka Group, LLC 20 Pacifica, Suite 900 Irvine, California 92618 Telephone: 949/250-8300 Telecopier: 949/250-8301
If to the Trustee:	Zions First National Bank 550 South Hope Street, Suite 2650 Los Angeles, California 90071 Telephone: 213/593-3150 Telecopier: 213/593-3160
If to the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus 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. Future Determination of Obligated Persons. In the event the S.E.C. amends, clarifies or supplements the Rule in such a manner that requires any landowner within a District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Authority or a

District to meeting the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Agreement shall be deemed to obligate the Authority or a District to disclose information concerning any owner of land within a District except as required as part of the information required to be disclosed by a District pursuant to Section 4 and Section 5 hereof.

Section 15. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 16. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 18. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's 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. 2 (SUBAREA IV – TORREY HIGHLANDS),
COMMUNITY FACILITIES DISTRICT NO. 10
(TORREY HIGHLANDS – SUBAREA IV) AND
COMMUNITY FACILITIES DISTRICT NO. 11
(STONEBRIDGE ESTATES)

By: _____
Authorized Officer

ZIONS FIRST NATIONAL BANK,
as Trustee

By: _____
Authorized Officer

DOLINKA GROUP, LLC,
as Dissemination Agent

By: _____
Authorized Officer

[EXECUTION PAGE OF CONTINUING DISCLOSURE AGREEMENT

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
2013 Special Tax Revenue Refunding Bonds

Date of Issuance: January __, 2013

NOTICE IS HEREBY GIVEN that Poway Unified School District Public Financing Authority [Community Facilities District No. 2] [Community Facilities District No. 10] [Community Facilities District No. 11] has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of January 1, 2013, by and among the Poway Unified School District Public Financing Authority, the Districts, Zions First National Bank, as Trustee, and Dolinka Group, LLC, as Dissemination Agent. [_____ anticipates that the Annual Report will be filed by _____.]

Dated: ____, 20__

Dolinka Group, LLC, as Dissemination Agent,
on behalf of the Poway Unified School District
Public Financing Authority, Community
Facilities District No. 2 (Subarea IV – Torrey
Highlands), Community Facilities District No.
10 (Torrey Highlands – Subarea IV) and
Community Facilities District No. 11
(StoneBridge Estates)

cc: Poway Unified School District Public Financing Authority
Community Facilities District No. 2
Community Facilities District No. 10
Community Facilities District No. 11
Stifel, Nicolaus & Company, Incorporated, dba
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: \$37,785,000
POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
2013 SPECIAL TAX REVENUE 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 2013 Special Tax Revenue Bonds in the aggregate principal amount of \$37,785,000 (the "2013 Bonds"). The 2013 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 December 10, 2012 (the "Resolution of Issuance"), and an Indenture of Trust, dated as of January 1, 2013 (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 2013 Bonds are special, limited obligations of the Authority. The 2013 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 2013 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 2013 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 2013 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 2013 Bonds.

4. The 2013 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 2013 Bonds is excluded from gross income for purposes of federal income taxation. Interest on the 2013 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 2013 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 2013 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 2013 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 2013 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2013 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 2013 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 2013 Bonds terminates upon the issuance of the 2013 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

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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information on such website is not incorporated herein by such reference or otherwise.*

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 may be 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 transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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.

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