

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.

\$17,795,000

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

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The Poway Unified School District Public Financing Authority 2013 Special Tax Revenue Bonds, Series B (the "Bonds") are being issued pursuant to an Indenture of Trust (the "Authority Indenture"), dated as of May 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 three 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 or to acquire a reserve surety 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 denominations of \$5,000 or any integral multiple thereof. Interest is payable semiannually on March 1 and September 1 each year, commencing September 1, 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 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 Community Facilities District No. 4 (Black Mountain Ranch), Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) and Community Facilities District No. 13 (The Lakes) (collectively, the "Districts"), 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. 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 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 May 22, 2013.

STIFEL

\$17,795,000
POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
2013 SPECIAL TAX REVENUE BONDS, SERIES B

MATURITY SCHEDULE
\$4,550,000 SERIAL BONDS
Base CUSIP® No. 73885Q[†]

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP® No.†</u>	<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP® No.†</u>
2014	\$80,000	2.000%	1.000%	BV0	2022	\$260,000	3.000%	3.200%	CD9
2015	95,000	2.000	1.350	BW8	2023	300,000	3.125	3.350	CE7
2016	115,000	2.000	1.700	BX6	2024	350,000	3.250	3.450	CF4
2017	140,000	2.000	2.000	BY4	2025	395,000	3.375	3.580	CG2
2018	150,000	2.250	2.350	BZ1	2026	450,000	3.500	3.700	CH0
2019	185,000	3.000	2.560	CA5	2027	500,000	3.625	3.820	CJ6
2020	195,000	3.000	2.800	CB3	2028	540,000	3.750	3.900	CK3
2021	225,000	4.000	3.000	CC1	2029	570,000	4.000	4.000	CL1

\$1,925,000 5.000% Term Bonds Due September 1, 2032 Yield 4.000%^C CUSIP® No. 73885Q CP2[†]
\$2,330,000 5.000% Term Bonds Due September 1, 2035 Yield 4.050%^C CUSIP® No. 73885Q CR8[†]
\$8,990,000 5.000% Term Bonds Due September 1, 2042 Yield 4.150%^C CUSIP® No. 73885Q CS6[†]

^C Priced to the first optional redemption date of September 1, 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. The Authority the Districts and the Underwriter take no 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*
Malliga Tholandi, *Associate Superintendent, Business Services*

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

TRUSTEE AND FISCAL AGENT

Zions First National Bank
Los Angeles, California

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GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. All information for investors regarding the Authority, the Districts and the Bonds is contained in this Official Statement. While the School District maintains an internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the School District.

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

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

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

Stabilization of Prices. In connection with this offering, the Underwriter may 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.



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

Regional Location Map



**POWAY UNIFIED SCHOOL DISTRICT
Community Facilities District No. 4
(Black Mountain Ranch)**



Note: District Boundaries are approximate. Development as of March 13, 2013.

**POWAY UNIFIED SCHOOL DISTRICT
Community Facilities District No. 4
(Black Mountain Ranch)**



Note: District Boundaries are approximate. Development as of March 13, 2013.

**POWAY UNIFIED SCHOOL DISTRICT
Community Facilities District No. 12
(Black Mountain Ranch Phase II – Southern Village and the Clusters)**



Note: District Boundaries are approximate. Development as of March 13, 2013.

**POWAY UNIFIED SCHOOL DISTRICT
Community Facilities District No. 12
(Black Mountain Ranch Phase II – Southern Village and the Clusters)**



Note: District Boundaries are approximate. Development as of March 13, 2013.

**POWAY UNIFIED SCHOOL DISTRICT
Community Facilities District No. 13
(The Lakes)**



Note: District Boundaries are approximate. Development as of March 13, 2013.

OFFICIAL STATEMENT

\$17,795,000

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

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, Series B (the “Authority” and the “Bonds,” respectively).

The Bonds are being issued pursuant to an Indenture of Trust (the “Authority Indenture”), dated as of May 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 (the “School District”) 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, all as further described under “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS.” Proceeds of the Bonds will be used as follows: (i) to finance the acquisition by the Authority of three Series of CFD Bonds; (ii) to fund the Reserve Fund or to acquire a reserve surety 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 three 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. 4 (Black Mountain Ranch) Special Tax Bonds, Series 2013 (“CFD No. 4” and the “CFD No. 4 Bonds,” respectively); (ii) Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) Special Tax Bonds, Series 2013 (“CFD No. 12” and the “CFD No. 12 Bonds,” respectively); and (iii) Poway Unified School District Community Facilities District No. 13 (The Lakes) Special Tax Bonds, Series 2013 (“CFD No. 13” and the “CFD No. 13 Bonds,” respectively) (collectively, the “Districts”).

Proceeds of the CFD No. 4 Bonds, the CFD No. 12 Bonds and the CFD No. 13 Bonds will be used to finance eligible school facilities. See “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS.”

The Districts

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

The Districts were established and the levy of Special Taxes on the real property within the boundaries of the respective Districts and the incurrence by the respective Districts of bonded indebtedness were authorized pursuant to the Act. CFD No. 4 and CFD No. 12 have previously issued special tax bonds, in whole or in part, as described herein. CFD No. 4 Bonds and CFD No. 12 Bonds will be issued on a parity with the Prior CFD No. 4 Bonds (as defined below) and the Prior CFD No. 12 Bonds (as defined below), respectively.

The qualified electors in CFD No. 4, CFD No. 12 and CFD No. 13 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. 4 issued an aggregate of \$11,989,000.00 of bonds for school facilities in 2007 (the “Prior CFD No. 4 Bonds”). CFD No. 12 issued an aggregate of \$7,689,087.48 of bonds for school facilities in 2007 (the “Prior CFD No. 12 Bonds”). CFD No. 13 has not previously issued bonded indebtedness. No cross-collateralization exists between or among the Districts.

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. 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, as applicable, and are not debts of the School District.

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

CFD	Formation Date	Authorized Debt	Amount Issued	Remaining Authorization	Amount Being Issued
CFD No. 4	December 15, 1997	\$32,000,000	\$11,989,000.00	\$20,011,000.00	\$7,990,000
CFD No. 12	June 24, 2002	18,000,000	7,689,087.48	10,310,912.52	4,430,000
CFD No. 13	March 12, 2007	20,000,000	0	20,000,000.00	5,375,000

Source: School District.

CFD No. 4. CFD No. 4 is contiguous and is located in a portion of the School District which is within the City of San Diego and known as Santaluz. It is located west of Carmel Valley Road. Camino del Sur runs north and south through the center of CFD No. 4. CFD No. 4 is approximately 2,937 gross acres (approximately 575.17 taxable acres). CFD No. 4 is located generally northwest from Carmel Valley Road. CFD No. 4 is located approximately 4.5 miles west of Interstate 15. As of January 1, 2013, 781 single-family detached homes and 50 attached townhomes were classified as Developed Property of which 819 homes were completed and 11 homes were under construction. In addition, 9 (nine) homeowners have prepaid their Special Taxes. Total expected build-out of CFD No. 4 is an aggregate of 924 single-family detached and attached homes. See “THE DISTRICTS – General” herein.

CFD No. 12. CFD No. 12 includes several non-contiguous areas of land located in a portion of the School District which is within the City of San Diego. The eastern portion of CFD No. 12 consists of several parcels north and south of the easterly portion of Carmel Valley Road. Additional parcels are in the northwestern portion of the School District west of Camino del Sur and within the Del Sur community. The remaining parcel is within the Santaluz community west of Camino del Sur between Via Azul and Lazanja Drive. CFD No. 12 is approximately 320.63 gross acres (approximately 280.63 taxable acres). CFD No. 12 is located approximately 2 miles west of Interstate 15. As of January 1, 2013, 307 single-family detached homes are classified as Developed Property of which 303 homes were completed and 4 homes were under construction. In addition, one (1) homeowner has prepaid their Special Taxes. Total expected build-out of CFD No. 12 is an aggregate of 485 single-family detached homes. See “THE DISTRICTS – General” herein.

CFD No. 13. CFD No. 13 is contiguous and is located in a portion of the School District which is within the County of San Diego (the “County”). Parcels are in the most northwestern portion of the School District, west of Interstate 15, north of Camino del Sur, and within The Lakes community. CFD No. 13 is approximately 553.68 gross acres (approximately 271.54 taxable acres). CFD No. 13 is located approximately 4 miles west of Interstate 15. As of January 31, 2013, 108 homes are classified as Developed Property of which 103 homes were completed and 5 homes were under construction. Total expected build-out of CFD No. 13 is an aggregate of 382 single-family detached and attached homes. See “THE DISTRICTS – General” herein.

The 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 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 34,569 students enrolled at the California Basic Educational Data System (“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. 4, CFD No. 12 and CFD No. 13 may issue bonds on a parity with the CFD Bonds for refunding purposes and for acquisition and construction of eligible school facilities. In each case, issuance of such CFD Bonds is subject to compliance with the provisions of the applicable CFD Bond Indenture. The Prior CFD No. 4 Bonds were issued in 2007 and mature on September 1, 2042. The Prior CFD No. 4 Bonds are not being redeemed and will be on a parity with the CFD No. 4 Bonds. The Prior CFD No. 12 Bonds were issued in 2007 and mature on September 1, 2040. The Prior CFD No. 12 Bonds are not being redeemed and will be on a parity with the CFD No. 12 Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – Additional CFD Bonds” and “SOURCES OF PAYMENT FOR THE BONDS – Estimated Schedule of CFD Bonds 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) and the Rebate Fund. The Trustee will also establish a Reserve Fund for the Bonds pursuant to the Authority Indenture. See “ – Reserve Fund” below.

Generally, “Revenues” are (i) all amounts derived by the Authority from the CFD Bonds; (ii) 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 the Program Fund and the Rebate Fund, and (iii) investment income with respect to the funds and accounts established under the Authority Indenture except for investment earnings on moneys held in the Program Fund and the Rebate Fund. 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, to finance school facilities with respect to CFD No. 4, CFD No. 12 and CFD No. 13. The CFD Bonds are being issued by the Districts pursuant to the Act and under separate Bond Indentures, in the case of CFD No. 4 and CFD No. 12, each dated as of April 1, 2007, and amended and supplemented by a First Supplemental Indenture, dated as of May 1, 2013, and in the case of CFD No. 13, dated as of May 1, 2013 (each, including the First Supplemental Indenture, as applicable, a “CFD Bond Indenture”). Each CFD Bond Indenture is 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 District, minus amounts applied to pay the Administrative Expense Requirement. The Special Taxes are collected on the regular property tax bills sent to the owners of real property within the applicable District. See “SOURCES OF PAYMENT FOR THE BONDS – The 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 for each District. 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 such District and will diligently pursue such proceedings to completion. See “SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure.”

Each District has covenanted in the applicable CFD Bond Indenture to levy in each Fiscal Year the Special Taxes on parcels of land within the applicable District 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 District, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within such District. Each District has also agreed to pay a portion of the administrative expenses of the Authority, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within the applicable District. See “THE DISTRICTS” for a description of the Districts and a description of the Special Tax within each applicable District. 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 District. 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. 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 or draw on the reserve surety 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 or the Authority may acquire a reserve surety in an amount equal to the Reserve Requirement. 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.”

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 District 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 District, 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 District.

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. Except for the Prior CFD No. 4 Bonds and the Prior CFD No. 12 Bonds in relation to the CFD No. 4 Bonds and the CFD No. 12 Bonds, respectively, 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.

Summary Appraisal Report

An appraisal of the taxable properties categorized as Developed Property within the Districts (the “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 CFD No. 4, CFD No. 12 and CFD No. 13 was to estimate the separate aggregate market values on a mass appraisal basis of the as is condition of the pertinent parcels within the 18 different tracts or product types of homes within CFD No. 4, CFD No. 12 and CFD No. 13. For CFD No. 4, the as is condition market value reflects the status of completed-sold homes (819 homes) and homes under construction (11 homes). For CFD No. 12, the as is condition market value reflects the status of completed-sold homes (303) homes and homes under construction (4 homes). For CFD No. 13, the as is condition market value reflects the status of completed-sold homes (103 homes) and homes under construction (5 homes). The Summary Appraisal Report is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of March 15, 2013, the Appraiser estimated that the aggregate market value of the completed-sold homes and homes under construction within CFD No. 4, CFD No. 12 and CFD No. 13 was \$1,576,340,000. There are 6 parcels (1 in CFD No. 12 and 5 in CFD No. 13) that had been issued a certificate of compliance and building permit in Fiscal Year 2008-09. No construction occurred and the permits have expired. The Appraisal excludes these parcels as well as any completed sold homes for which the Special Taxes have been prepaid and excludes vacant lots for which building permits have not been issued.

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 – “SUMMARY APPRAISAL REPORT” appended hereto for further information on the Summary Appraisal Report and for limiting conditions relating to the Summary Appraisal Report.

Value-to-Lien Ratios

The aggregate assessed values of the property within each District (excluding Exempt Property (as defined in each Rate and Method) and parcels for which Special Taxes have been prepaid) are set out in Table 8A in “THE DISTRICTS – Estimated Property Values and Estimated Value-to-Lien Ratios.”

The appraised value results in an estimated aggregate value-to-lien ratio of 17.0:1 and the assessed values result in an estimated aggregate value-to-lien ratio of 14.46 to 1 and value-to-lien ratios within each District ranging from 9.75:1 to 16.14:1 based on the assessed value, calculated in each case with respect to estimated direct and overlapping tax and assessment debt on the parcels constituting Developed Property in Fiscal Year 2013-14 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 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. 4, CFD No. 12 and CFD No. 13 may issue bonds on a parity with the CFD Bonds for acquisition and construction of eligible school facilities 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 1, 2013, and semiannually thereafter on March 1 and September 1 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 (the “Underwriter”), Los Angeles, California, is acting as Underwriter in connection with the issuance and delivery of the Bonds. Nossaman LLP, Irvine, California, is acting as Underwriter’s Counsel.

The 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 District and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Authority Indenture, the CFD Bond Indentures and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Authority Indenture, the CFD Bond Indentures, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. Copies of such documents may be obtained from the 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 of the CFD No. 4 Bonds, the CFD No. 12 Bonds and the CFD No. 13 Bonds will be used to finance construction of a new K-8 school in the Del Sur community.

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	\$17,795,000.00
Underwriter's Discount	(185,957.75)
Net Original Issue Premium	<u>950,985.55</u>
Total	\$18,560,027.80

Uses:

Acquisition of CFD Bonds ⁽¹⁾	\$16,740,680.29
Reserve Fund ⁽²⁾	1,534,347.51
Costs of Issuance ⁽³⁾	<u>285,000.00</u>
Total	\$18,560,027.80

⁽¹⁾ A portion of the proceeds of each Series of CFD Bonds will be deposited by the applicable District in the 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 District.

⁽³⁾ A portion of the proceeds of the Bonds will be deposited in the Costs of Issuance Account within the Authority Program Fund. See the description of the sources and uses of the Districts’ CFD 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 cost of the 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, 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 Authority School Facilities Fund, all as provided below:

	<u>CFD No. 4</u>	<u>CFD No. 12</u>	<u>CFD No. 13</u>	<u>Total</u>
<i>Sources:</i>				
CFD Bonds Principal Amount	\$7,990,000.00	\$4,430,000.00	\$5,375,000.00	\$17,795,000.00
Authority Discount ⁽¹⁾	-504,848.43	-228,709.94	-320,761.34	-1,054,319.71
Fiscal Year Special Tax Contribution ⁽²⁾	290,313.71	157,311.62	193,506.51	641,131.84
Total	<u>\$7,775,465.28</u>	<u>\$4,358,601.68</u>	<u>\$5,247,745.17</u>	<u>\$17,381,812.13</u>
<i>Uses:</i>				
Authority School Facilities Fund	<u>\$7,775,465.28</u>	<u>\$4,358,601.68</u>	<u>\$5,247,745.17</u>	<u>\$17,381,812.13</u>
Total	<u>\$7,775,465.28</u>	<u>\$4,358,601.68</u>	<u>\$5,247,745.17</u>	<u>\$17,381,812.13</u>

(1) Represents each District'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, and (iv) the original issue premium with respect to the Authority Bonds.

(2) Represents each District's Special Tax collections available for School Facilities.

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 District.

General Provisions

The Bonds will be dated the date of delivery thereof and will be issued in the aggregate principal amount set forth on the 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, calculated on the basis of a 360-day year of twelve 30-day months, payable semiannually on each March 1 and September 1, commencing September 1, 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 1, 2023, are not subject to optional redemption before maturity. The Bonds maturing on or after September 1, 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 1, 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 the mandatory redemption of CFD Bonds caused by the prepayment of Special Taxes. The Bonds are subject to redemption in whole or in part, on any March 1 or September 1, beginning March 1, 2014, upon payment of the redemption price thereof (computed upon the principal amount of the Bonds to be redeemed), plus accrued interest to the redemption date as specified below:

<u>Redemption Date</u>	<u>Redemption Price</u>
March 1, 2014 through and including March 1, 2021	103%
September 1, 2021 and March 1, 2022	102
September 1, 2022 and March 1, 2023	101
September 1, 2023 and each Interest Payment Date thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2032, are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2030, 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 1)</u>	<u>Principal Amount</u>
2030	\$600,000
2031	640,000
2032 (maturity)	685,000

The Bonds maturing on September 1, 2035, are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 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:

2035 Term Bonds

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount</u>
2033	\$725,000
2034	775,000
2035 (maturity)	830,000

The Bonds maturing on September 1, 2042, are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2036, 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 1)	Principal Amount
2036	\$885,000
2037	945,000
2038	1,000,000
2039	1,070,000
2040	1,135,000
2041	1,905,000
2042 (maturity)	2,050,000

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 the redemption of the Bonds as described above, 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 1 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 2
Poway Unified School District Public Financing Authority
2013 Special Tax Revenue Bonds, Series B
Annual Debt Service Schedule

Year Ending (September 1)	Principal	Interest	Total
2013	–	\$223,693.60	\$223,693.60
2014	\$80,000	813,431.26	893,431.26
2015	95,000	811,831.26	906,831.26
2016	115,000	809,931.26	924,931.26
2017	140,000	807,631.26	947,631.26
2018	150,000	804,831.26	954,831.26
2019	185,000	801,456.26	986,456.26
2020	195,000	795,906.26	990,906.26
2021	225,000	790,056.26	1,015,056.26
2022	260,000	781,056.26	1,041,056.26
2023	300,000	773,256.26	1,073,256.26
2024	350,000	763,881.26	1,113,881.26
2025	395,000	752,506.26	1,147,506.26
2026	450,000	739,175.00	1,189,175.00
2027	500,000	723,425.00	1,223,425.00
2028	540,000	705,300.00	1,245,300.00
2029	570,000	685,050.00	1,255,050.00
2030	600,000	662,250.00	1,262,250.00
2031	640,000	632,250.00	1,272,250.00
2032	685,000	600,250.00	1,285,250.00
2033	725,000	566,000.00	1,291,000.00
2034	775,000	529,750.00	1,304,750.00
2035	830,000	491,000.00	1,321,000.00
2036	885,000	449,500.00	1,334,500.00
2037	945,000	405,250.00	1,350,250.00
2038	1,000,000	358,000.00	1,358,000.00
2039	1,070,000	308,000.00	1,378,000.00
2040	1,135,000	254,500.00	1,389,500.00
2041	1,905,000	197,750.00	2,102,750.00
2042	<u>2,050,000</u>	<u>102,500.00</u>	<u>2,152,500.00</u>
Total	\$17,795,000	\$18,139,418.72	\$35,934,418.72

Source: The Underwriter.

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 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 and the Rebate Fund.

The CFD Bonds are secured by a pledge of and lien on the Special Taxes with respect to the applicable District, 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. 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 AND THE REBATE FUND. THE BONDS ARE NOT A DEBT OF THE DISTRICTS, THE SCHOOL DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AUTHORITY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICTS, THE SCHOOL DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER. NEITHER THE DISTRICTS, THE SCHOOL DISTRICT, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE FOR THE PAYMENT OF THE BONDS.

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

Revenue Fund

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

Indenture which the Trustee shall maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Authority Indenture.

The Authority shall establish with the Trustee a special fund designated the "Bond Fund" which the Trustee shall maintain and hold in trust. Within the Bond Fund, the Trustee shall establish special accounts designated as the "Principal Account," the "Interest Account" and the "Redemption Account." Such fund and accounts shall be held and maintained as separate and distinct funds and accounts. The Trustee shall transfer Revenues then in the Revenue Fund into the following funds and accounts on the following dates and in the following amounts, 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 1, 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 1 and any amount of principal previously due and unpaid. On any September 1 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 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 1 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 each September 1 after making the transfers and deposits in paragraphs (a) through (e) above, the Trustee shall notify the Authority of any moneys remaining on deposit in the Revenue Fund and shall, in the absence of a written certificate of the Authority

directing the Trustee to transfer such moneys from the Revenue Fund in order to conform to the requirements of the Authority Indenture, retain such amounts in the Revenue Fund to be applied as described in paragraphs (a) through (e) above.

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 School Facilities Fund.

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

Reserve Fund

The Authority Indenture provides that a Reserve Fund must be maintained in an amount equal to the Reserve Requirement. The Authority Indenture provides that the Reserve Requirement means, as of the date of calculation, an amount equal to 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 \$1,534,347.51 and will be funded with the proceeds of the Bonds or funded through the acquisition of a reserve surety.

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.

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 District subject to the Special Taxes, including certain net proceeds, if any, of any foreclosure actions brought following a delinquency in the payment of the Special Tax, less the Administrative Expense Requirement (“Net Special Tax Revenues”), and amounts held in certain funds pursuant to the applicable CFD Bond Indenture.

The amount of Special Taxes that a District may levy in any year is strictly limited by the maximum rates approved by the qualified electors within the District at the time of formation, 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 District 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 District are exempt from the tax rate limitations of California Constitution Article XIII A pursuant to Section 4 thereof as “special tax” authorized by a two-thirds vote of the qualified electors with respect to each District. Consequently, each District has the power and is obligated to cause the levy and collection of the Special Taxes in an amount determined according to a methodology which the Board of Education (the “Board”) and the qualified electors in the District have approved. See “*Special Taxes*” below. However, Article XIII C of the California Constitution may allow

the voters in each District (or perhaps in the School District) under certain conditions, to adopt an ordinance by initiative which would reduce or appeal the Special Taxes. See “BOND OWNERS’ RISKS – The CFD 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 District, as the then qualified electors of the District, at a special election held within each District. A notice of Special Taxes with respect to each Rate and Method 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 District 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 District. 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 2013-14 Special Tax Levy with respect to each District. Special Tax Classes with no units levied have been omitted from the tables.

Table 3
Poway Unified School District Public Financing Authority
2013 Special Tax Revenue Bonds, Series B
Combined Fiscal Year 2013-14 Special Tax Levy

CFD	Units Levied⁽¹⁾	Special Taxes Levied	FY 2013/2014 Levy as Percent of Total
CFD No. 4	828	\$1,250,898.66	53.95%
CFD No. 12	307	730,562.94	31.51
CFD No. 13	113	336,970.82	14.53
Total⁽¹⁾	1,248	\$2,318,432.42	100.00%

⁽¹⁾ Parcels are classified as Developed Property as of January 1 of each year with respect to CFD No. 4 and CFD No. 12 and as of January 31 of each year with respect to CFD No. 13.

⁽²⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 4A
Community Facilities District No. 4
of the Poway Unified School District
Fiscal Year 2013-14 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	Average FY 2013/2014 Special Tax Rate	Units Levied⁽¹⁾	Special Taxes Levied	FY 2013/2014 Levy as Percent of Total
1	Production	< 1,500	\$321.38	29	\$9,319.92	0.75%
2	Production	1,500 - 2,249	649.09	118	76,592.54	6.12
3	Production	2,250 - 2,749	940.46	53	49,844.60	3.98
4	Production	2,750 - 3,149	941.00	100	94,100.24	7.52
5	Production	3,150 - 3,749	939.49	86	80,796.42	6.46
6	Production	3,750 - 4,049	982.58	97	95,310.70	7.62
7	Production	4,050 - 4,499	1,121.68	39	43,745.70	3.50
8	Production	4,500 - 4,999	1,459.49	57	83,190.74	6.65
9	Production	5,000 - 5,499	1,762.67	24	42,304.14	3.38
10	Production	5,500 - 5,999	1,907.11	21	40,049.36	3.20
12	Production	> 6,500	2,474.58	1	2,474.58	0.20
13	Custom	NA ⁽²⁾	3,119.06	203	633,169.72	50.62
Total⁽³⁾				828	\$1,250,898.66	100.00%

⁽¹⁾ Parcels are classified as Developed Property as of January 1 of each year with respect to CFD No. 4.

⁽²⁾ Custom lots are classified based on the original proceedings which identified which lots are custom lots and are not classified based on building square footages. Building square footages of custom lots range from 4,046 to 18,079 square feet.

⁽³⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 4B
Community Facilities District No. 12
of the Poway Unified School District
Fiscal Year 2013-14 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	Average FY 2013/2014 Special Tax Rate	Units Levied ⁽¹⁾	Special Taxes Levied	FY 2013/2014 Levy as Percent of Total
<i>Zone 1</i>						
1	Detached	> 3,750	\$3,057.51	30	\$91,725.34	12.77%
<i>Subtotal</i>				30	\$91,725.34	12.77%
<i>Zone 2</i>						
1	Detached	> 3,750	\$2,981.79	57	\$169,961.90	23.26%
4	Detached	3,001 - 3,250	2,366.74	2	4,733.48	0.65
4	Detached	3,001 - 3,250	2,366.74	2	4,733.48	0.65
<i>Subtotal</i>				59	\$174,695.38	23.91%
<i>Zone 3</i>						
<i>Subtotal</i>				0	\$0.00	0.00%
<i>Zone 4</i>						
1	Detached	> 3,750	\$2,594.23	23	\$59,667.18	8.17%
2	Detached	3,501 - 3,750	2,414.93	50	120,746.42	16.53
3	Detached	3,251 - 3,500	2,248.70	20	44,973.92	6.16
4	Detached	3,001 - 3,250	2,069.39	59	122,093.92	16.71
5	Detached	2,751 - 3,000	1,880.86	23	43,259.78	5.92
6	Detached	2,501 - 2,750	1,707.00	43	73,401.00	10.05
<i>Subtotal</i>				218	\$464,142.22	63.53%
Total⁽²⁾				307	\$730,562.94	100.22%

⁽¹⁾ Parcels are classified as Developed Property as of January 1 of each year with respect to CFD No. 12.

⁽²⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 4C
Community Facilities District No. 13
of the Poway Unified School District
Fiscal Year 2013-14 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	Average FY 2013/2014 Special Tax Rate	Units Levied⁽¹⁾	Special Taxes Levied	FY 2013/2014 Levy as Percent of Total
<i>Zone 1</i>	Developed	< 4,000	\$2,663.65	67	\$178,464.58	52.96%
1	Developed	4,000 - 4,300	3,093.65	7	21,655.58	6.43
2	Developed	4,301 - 4,600	3,278.53	16	52,456.42	15.57
3	Developed	4,601 - 4,900	3,541.52	8	28,332.12	8.41
4	Developed	4,901 - 5,200	3,647.09	6	21,882.56	6.49
5	Developed	> 5,200	3,797.73	9	34,179.56	10.14
<i>Subtotal</i>				<i>113</i>	<i>\$336,970.82</i>	<i>100.00%</i>
<i>Zone 2</i>						
6	Developed	NA	\$0.00	0	\$0.00	0.00%
<i>Subtotal</i>				<i>0</i>	<i>\$0.00</i>	<i>0.00%</i>
Total⁽²⁾				113	\$336,970.82	100.00%

⁽¹⁾ Parcels are classified as Developed Property as of January 31 of each year with respect to CFD No. 13.

⁽²⁾ 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 District. 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 a District 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 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 District, it does not constitute a personal indebtedness of the owners of property within such District. There is no assurance that the owners of real property in the applicable District will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. See “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 such District and the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of Special Taxes. As received, the 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 Special Tax Revenues 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) the Fiscal Agent shall transfer from the applicable Special Tax Fund first to the Administrative Expense Fund, the amount equal to the applicable Administrative Expense Requirement; 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 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, 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 of any Excess Authority Rebate Obligation that is or will be due and payable during the Bond Year commencing on such September 2. On 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 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, such moneys shall remain on deposit in the Special Tax Fund and shall be subsequently deposited or transferred pursuant to the provisions set forth above, provided, however, that if the District notifies the Fiscal Agent in writing that the levy of Special Taxes on Developed Property exceeds the Special Tax

Requirement, then excess moneys may be paid to the School District to be used to pay for the acquisition, construction, rehabilitation and improvement of School Facilities.

To the extent that there are prepaid Special Taxes with respect to a District, such 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 a District 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 in the applicable CFD Indenture 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 \$32,473.00 to \$76,094.52.

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, 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, as applicable.

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."

Authority School Facilities Fund. The Fiscal Agent shall transfer to the Trustee for deposit in the Authority School Facilities Fund established pursuant to the Authority Indenture 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 Trustee, the Trustee shall transfer remaining moneys, if any, on deposit in, or subsequently deposited in, the School Facilities Fund to the Revenue Fund and the Trustee shall apply the amount so transferred in accordance with the Authority 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 Special Taxes in the aggregate of \$5,000 or more, or (ii) any single parcel or parcels under common ownership subject to the Special Taxes is delinquent in the payment of Special Taxes in the aggregate of \$10,000 or more, each District shall, not later than 45 days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. 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 such District, 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 such District. 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, each District may adjust the Special Taxes levied on all property within such District 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.

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. 4, CFD No. 12 and CFD No. 13 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 5 below illustrates that scheduled CFD Bonds debt service provides coverage for the debt service on the Bonds and Table 6 below illustrates the aggregate estimated Net Special Tax Revenues of each District for the debt service on the CFD Bonds. See “THE BONDS – Estimated Debt Service Schedule.” See the tables entitled “Special Tax Delinquency History” under “THE DISTRICTS – Special Tax Delinquency” herein for information of historical Special Tax delinquencies in the Districts. Aggregate Net Special Tax Revenues of each District are not less than 110% of debt service for the CFD Bonds of each District.

Table 5
Poway Unified School District Public Financing Authority
Scheduled Annual Debt Service on CFD Bonds

Year Ending Sept. 1	CFD No. 4 Bonds Debt Service	CFD No. 12 Bonds Debt Service	CFD No. 13 Bonds Debt Service	Aggregate CFD Bonds Debt Service	Authority Bonds Net Debt Service	Estimated Debt Service Coverage from CFD Bonds
2013	\$98,565.16	\$58,007.81	\$67,120.63	\$223,693.60	\$223,693.60	100.00%
2014	403,418.76	215,937.50	274,075.00	893,431.26	893,431.26	100.00
2015	407,518.76	220,837.50	278,475.00	906,831.26	906,831.26	100.00
2016	416,518.76	225,637.50	282,775.00	924,931.26	924,931.26	100.00
2017	425,318.76	230,337.50	291,975.00	947,631.26	947,631.26	100.00
2018	433,918.76	224,937.50	295,975.00	954,831.26	954,831.26	100.00
2019	442,118.76	239,600.00	304,737.50	986,456.26	986,456.26	100.00
2020	449,418.76	233,700.00	307,787.50	990,906.26	990,906.26	100.00
2021	461,418.76	237,950.00	315,687.50	1,015,056.26	1,015,056.26	100.00
2022	471,818.76	246,750.00	322,487.50	1,041,056.26	1,041,056.26	100.00
2023	492,918.76	250,550.00	329,787.50	1,073,256.26	1,073,256.26	100.00
2024	523,075.00	254,143.76	336,662.50	1,113,881.26	1,113,881.26	100.00
2025	546,900.00	257,518.76	343,087.50	1,147,506.26	1,147,506.26	100.00
2026	574,475.00	265,662.50	349,037.50	1,189,175.00	1,189,175.00	100.00
2027	600,550.00	268,387.50	354,487.50	1,223,425.00	1,223,425.00	100.00
2028	605,037.50	275,850.00	364,412.50	1,245,300.00	1,245,300.00	100.00
2029	603,600.00	282,850.00	368,600.00	1,255,050.00	1,255,050.00	100.00
2030	596,000.00	289,250.00	377,000.00	1,262,250.00	1,262,250.00	100.00
2031	595,000.00	294,250.00	383,000.00	1,272,250.00	1,272,250.00	100.00
2032	593,250.00	298,750.00	393,250.00	1,285,250.00	1,285,250.00	100.00
2033	590,750.00	302,750.00	397,500.00	1,291,000.00	1,291,000.00	100.00
2034	587,500.00	311,250.00	406,000.00	1,304,750.00	1,304,750.00	100.00
2035	588,500.00	319,000.00	413,500.00	1,321,000.00	1,321,000.00	100.00
2036	583,500.00	326,000.00	425,000.00	1,334,500.00	1,334,500.00	100.00
2037	582,750.00	332,250.00	435,250.00	1,350,250.00	1,350,250.00	100.00
2038	581,000.00	337,750.00	439,250.00	1,358,000.00	1,358,000.00	100.00
2039	583,250.00	342,500.00	452,250.00	1,378,000.00	1,378,000.00	100.00
2040	579,250.00	351,500.00	458,750.00	1,389,500.00	1,389,500.00	100.00
2041	574,250.00	1,059,500.00	469,000.00	2,102,750.00	2,102,750.00	100.00
2042	593,250.00	1,081,500.00	477,750.00	2,152,500.00	2,152,500.00	100.00
Total	\$15,584,840.26	\$9,634,907.83	\$10,714,670.63	\$35,934,418.72	\$35,934,418.72	100.00%

Source: Dolinka Group, LLC.

Table 6
Poway Unified School District Public Financing Authority
Estimated Debt Service Coverage from Net Special Tax Revenues

Year Ending Sept. 1	Net Special Tax Revenues⁽¹⁾	Prior CFD Bonds Debt Service	2013 CFD Bonds Debt Service	Estimated Debt Service Coverage
2013	\$1,400,077.43	\$1,049,104.08	\$223,693.60	110.00%
2014	2,163,302.35	1,069,615.12	893,431.26	110.20
2015	2,206,568.39	1,091,434.67	906,831.26	110.42
2016	2,250,699.76	1,112,473.02	924,931.26	110.47
2017	2,295,713.76	1,134,741.63	947,631.26	110.25
2018	2,341,628.03	1,163,774.51	954,831.26	110.53
2019	2,388,460.59	1,180,682.24	986,456.26	110.21
2020	2,436,229.80	1,211,512.01	990,906.26	110.62
2021	2,484,954.40	1,235,414.35	1,015,056.26	110.42
2022	2,534,653.49	1,261,294.21	1,041,056.26	110.09
2023	2,585,346.56	1,271,042.32	1,073,256.26	110.28
2024	2,637,053.49	1,279,922.24	1,113,881.26	110.16
2025	2,689,794.56	1,290,869.20	1,147,506.26	110.31
2026	2,743,590.45	1,300,882.85	1,189,175.00	110.18
2027	2,798,462.26	1,311,429.10	1,223,425.00	110.40
2028	2,822,068.15	1,316,943.19	1,245,300.00	110.14
2029	2,846,146.17	1,322,750.75	1,255,050.00	110.41
2030	2,870,705.74	1,339,732.31	1,262,250.00	110.33
2031	2,895,756.51	1,350,924.48	1,272,250.00	110.39
2032	2,921,308.29	1,362,910.54	1,285,250.00	110.31
2033	2,947,371.11	1,374,994.40	1,291,000.00	110.55
2034	2,973,955.18	1,387,814.56	1,304,750.00	110.45
2035	3,001,070.94	1,399,259.23	1,321,000.00	110.32
2036	3,028,729.01	1,412,062.30	1,334,500.00	110.27
2037	3,056,940.24	1,425,192.84	1,350,250.00	110.14
2038	3,085,715.69	1,437,800.54	1,358,000.00	110.37
2039	3,115,066.66	1,446,703.41	1,378,000.00	110.28
2040	3,145,004.64	1,461,116.00	1,389,500.00	110.33
2041	3,175,541.39	771,160.00	2,102,750.00	110.50
2042	3,206,688.86	751,416.00	2,152,500.00	110.43
Total	\$81,689,735.72	\$37,524,972.10	\$35,934,418.72	

(1) Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC. In the period ending September 1, 2013, Net Special Tax Revenues are also net of \$641,131.84 fiscal year special tax contribution to the Authority School Facilities Fund referenced in "APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES" above. Assumes an aggregate of 1,248 units as Developed Property and does not include 2 parcels in CFD No 4 and 1 parcel in CFD No. 12 for which building permits were issued after January 1, 2013 and which will be categorized as Developed Property commencing in Fiscal Year 2014-15. There are 6 parcels (1 in CFD No. 12 and 5 in CFD No. 13) that had been issued a certificate of compliance and building permit in Fiscal Year 2008-09. No construction occurred and the permits have expired. These six parcels are included in the 1,248 units in Table 6. The Appraisal excludes these parcels as well as any completed sold homes for which the Special Taxes have been prepaid and excludes vacant lots for which building permits have not been issued.

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 such District. 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 such District in any fiscal year, a District may increase the Special Tax levy 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 such District 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 such District 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 issues. If Special Taxes with respect to one District are not received in the requisite amount, the Special Tax rate may be escalated only in that District and not in the other Districts. Purchasers of the Bonds should not assume that maximum Special Taxes may be levied in all Districts at one time. Although the Special Tax levy may be increased where there is a difference between the Assigned Special Tax and the maximum Special Tax which may be levied, any such increase would not be available to cure any delinquencies for a period of one year or more. In addition, an increase in the Special Tax rates may affect the ability or willingness of property owners to pay their Special Taxes. See “THE DISTRICTS – Rates and Methods of Apportionment of Special Tax” and Appendix B hereto for a description of each District’s procedures for increasing the amount of Special Tax in such District and “BOND OWNERS’ RISKS – The CFD Bonds – Insufficiency of Special Taxes.” In each District, the Special Taxes are levied at the Assigned Special Tax rate, and there may be little or no increase on Special Tax rates.

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

THE DISTRICTS

General

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

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

Following public hearings conducted pursuant to the provisions of the Act, the Board adopted a resolution establishing each District and determining the necessity to incur bonded indebtedness to acquire and construct facilities, 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 District.

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

CFD No. 4. CFD No. 4 was formed and designated by the School District on December 15, 1997, 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 \$32,000,000, 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. 4. Subsequently, on November 13, 2000, an election was held in which the eligible voters, which were the owners of land included within the boundaries of CFD No. 4, approved by more than two-thirds vote a proposition amending and restating the Rate and Method to be as set forth in Appendix B hereto. See “INTRODUCTION – The Districts,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE DISTRICTS – Direct and Overlapping Debt.”

CFD No. 12. CFD No. 12 was formed and designated by the School District on June 24, 2002, 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 \$18,000,000, 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. 12. See “INTRODUCTION – The Districts,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE DISTRICTS – Direct and Overlapping Debt.”

CFD No. 13. CFD No. 13 was formed and designated by the School District on March 12, 2007, 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 \$20,000,000, 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. 13. See

“INTRODUCTION – The Districts,” “THE FINANCING PLAN” and “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE DISTRICTS – Direct and Overlapping Debt.”

Location and Description

CFD No. 4 is contiguous and is located in a portion of the School District which is within the City of San Diego and known as Santaluz. It is located west of Carmel Valley Road. Camino del Sur runs north and south through the center of CFD No. 4. CFD No. 4 is approximately 2,937 gross acres (approximately 575.17 taxable acres). CFD No. 4 is located generally northwest from Carmel Valley Road. CFD No. 4 is located approximately 4.5 miles west of Interstate 15. As of January 1, 2013, 830 single-family attached residential units were classified as Developed Property of which 819 homes were completed and 11 homes were under construction. In addition, nine homeowners have prepaid their Special Taxes. Total expected build-out of CFD No. 4 is an aggregate of 924 single-family detached and attached homes.

CFD No. 12. CFD No. 12 includes several non-contiguous areas of land located in a portion of the School District which is within the City of San Diego. The eastern portion of CFD No. 12 consists of several parcels north and south of the easterly portion of Carmel Valley Road. Additional parcels are in the northwestern portion of the School District west of Camino del Sur and within the Del Sur community. The remaining parcel is within the Santaluz community west of Camino del Sur between Via Azul and Lazanja Drive. CFD No. 12 is approximately 320.63 gross acres (approximately 280.63 taxable acres). CFD No. 12 is located approximately 2 miles west of Interstate 15. As of January 1, 2013, 307 single-family detached homes are classified as Developed Property of which 303 homes were completed and 4 homes were under construction. In addition, one homeowner has prepaid their Special Taxes. Total expected build-out of CFD No. 12 is an aggregate of 485 single-family detached homes.

CFD No. 13 is contiguous and is located in a portion of the School District which is within the County of San Diego. Parcels are in the most northwestern portion of the School District, west of Interstate 15, north of Camino del Sur and within the The Lakes community. CFD No. 13 is approximately 553.68 gross acres (approximately 271.54 taxable acres). CFD No. 13 is located approximately 4 miles west of Interstate 15. As of January 31, 2013, 108 single-family detached homes are classified as Developed Property of which 103 homes were completed and 5 homes were under construction. Total expected build-out of CFD No. 13 is an aggregate of 382 single-family detached homes.

Summary Appraisal Report

An appraisal of the taxable properties categorized as Developed Property within the Districts (the “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 CFD No. 4, CFD No. 12 and CFD No. 13 was to estimate the separate aggregate market values on a mass appraisal basis of the as is condition of the pertinent parcels within the 18 different tracts or product types of homes within CFD No. 4, CFD No. 12 and CFD No. 13. For CFD No. 4, the as is condition market value reflects the status of completed-sold homes (819 homes) and homes under construction (11 homes). For CFD No. 12, the as is condition market value reflects the status of completed-sold homes (303) homes and homes under construction (4 homes). For CFD No. 13, the as is condition market value reflects the status of completed-sold homes (103 homes and homes under construction (5 homes). The Summary Appraisal Report is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of March 15, 2013, the Appraiser estimated that the aggregate market value of the completed-sold homes and homes under

construction within CFD No. 4, CFD No. 12 and CFD No. 13 was \$1,576,340,000. There are 6 parcels (1 in CFD No. 12 and 5 in CFD No. 13) that had been issued a certificate of compliance and building permit in Fiscal Year 2008-09. No construction occurred and the permits have expired. The Appraisal excludes these parcels as well as any completed sold homes for which the Special Taxes have been prepaid and excludes vacant lots for which building permits have not been issued. 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 – “SUMMARY APPRAISAL REPORT” appended hereto for further information on the Summary Appraisal Report and for limiting conditions relating to the Summary Appraisal Report.

Appraisal. Subject to the assumptions and limiting conditions, the following sets forth the conclusions of market value in the Appraisal for CFD No. 4, CFD No. 12 and CFD No. 13. The homes in CFD No. 4 consist of attached and detached homes. All homes in CFD No. 12 and CFD No. 13 are detached homes.

Table 7
Poway Unified School District Public Financing Authority
Summary Appraisal Report

CFD	Tract	Ownership	No. of Lots	Market Value ⁽¹⁾⁽²⁾
CFD No. 4	Sycamore Walk	Individual Owners	50	\$20,000,000
	Spanish Bungalows	Individual Owners	64	52,480,000
	Garden Homes	Individual Owners	62	55,800,000
	Davidson at Santaluz	Individual Owners	71	76,680,000
	Belsera	Individual Owners	65	74,750,000
	Casitas	Individual Owners	80	72,000,000
	Sentinels	Individual Owners	80	94,400,000
	Haciendas Sur	Individual Owners	50	58,500,000
	Posadas	Individual Owners	54	102,600,000
	Custom Homes	Individual Owners	208	531,690,000
	La Vina	Individual Owners	<u>46</u>	<u>22,080,000</u>
		Subtotal CFD No. 4	830	\$1,160,980,000
CFD No. 12	Avaron	Individual Owners	59	\$70,800,000
	Gables Crossing	Individual Owners	30	49,400,000
	Cortiles	Individual Owners	66	50,820,000
	Patria	Individual Owners	87	66,990,000
	Palazzo	Individual Owners	<u>65</u>	<u>53,950,000</u>
			Subtotal CFD No. 12	307
CFD No. 13		Individual Owners (103)/	<u>108</u>	<u>\$123,400,000</u>
		Lennar Homes (5)		
		Subtotal CFD No. 13	108	\$123,400,000
TOTALS			1,245	\$1,576,340,000

⁽¹⁾The market values are based on the Summary Appraisal Report. See "APPENDIX C – Summary Appraisal Report."

⁽²⁾There are 6 parcels (1 in CFD No. 12 and 5 in CFD No. 13) that had been issued a certificate of compliance and building permit in Fiscal Year 2008-09. No construction occurred and the permits have expired. The Appraisal excludes these parcels as well as any completed sold homes for which the Special Taxes have been prepaid and excludes vacant lots for which building permits have not been issued. With respect to CFD No. 4, in addition to the 828 parcels listed in Table 8A, the Appraisal includes 2 parcels in CFD No. 4 for which permits were issued after January 1, 2013, which will be classified as Developed Property in Fiscal Year 2014-15. With respect to CFD No. 12, the Appraisal does not include 1 parcel included in the 307 parcels listed in Table 8A for which a permit was issued in Fiscal Year 2008-09 which has been taxed as Developed Property, but for which no development activity had occurred on the lot and includes one parcel for which a building permit was issued after January 1, 2013, which will be classified as Developed Property in Fiscal Year 2014-15. With respect to CFD No. 13, the Appraisal includes 108 of the 113 parcels listed in Table 8A, but does not include 5 parcels for which building permits were issued in Fiscal Year 2008-09 which have been taxed as Developed Property, but for which no development activity has occurred on the lots.

The market value of \$1,576,340,000 for the 1,245 homes (including 20 homes under construction) valued in the Summary Appraisal Report results in an estimated aggregate value-to-lien ratio of 17.0 to 1, calculated with respect to estimated direct and overlapping tax and assessment debt on the parcels constituting Developed Property in Fiscal Year 2013-14 as of the estimated closing date as presented in Tables 8A and 8B and 9A through 9C 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 Authority and the Underwriter make no representation as to the accuracy or completeness of the Summary Appraisal Report. See Appendix C hereto for more information relating to the Summary Appraisal Report.

Estimated Property Values and Estimated Value-to-Lien Ratios

Because the Summary Appraisal Report data is not available on a lot by lot basis, Tables 8A and 8B and 9A through 9C below set forth Value-to-Lien category ranges for the parcels subject to the levy of Special Taxes in Fiscal Year 2012-13 and Fiscal Year 2013-14, respectively, utilizing the respective assessed values as of January 1, 2012, which values include all of the completed homes reviewed in the 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 March 15, 2013.

The Fiscal Year 2012-13 assessed values of the property within each District, which is subject to the levy of Special Taxes in Fiscal Year 2013-14 (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 District and also vary among parcels within each District. (The Fiscal Year 2013-14 assessed values are not available until after July 1, 2013.) 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 such District. The table below sets forth the estimated assessed property values and the estimated direct and overlapping land secured debt and estimated value-to-lien ratio for each District as a whole. All information in this section is based on the direct and overlapping debt report prepared in March 2013, as set forth in the tables below in the Section captioned “Direct and Overlapping Debt.”

Table 8A
Poway Unified School District Public Financing Authority
Estimated Average Assessed Value-to-Lien of Parcels
Parcels Constituting Developed Property in Fiscal Year 2013-14

CFD No.	Number of Parcels	FY 2013-14 Special Taxes ⁽¹⁾	Total Estimated Fiscal Year 2012-13 Assessed Value ⁽²⁾	2013 Special Tax Revenue Bonds, Series B ⁽³⁾	Additional Land Secured Debt ⁽⁴⁾	Total Lien	Combined Value-to- Lien ⁽⁵⁾
Community Facilities District No. 4	828	\$1,250,898.66	\$969,422,997.00	\$7,990,000.00	\$52,076,488.39	\$60,066,488.39	16.14:1
Community Facilities District No. 12	307	730,562.94	264,804,975.00	4,430,000.00	17,284,034.20	21,714,034.20	12.20:1
Community Facilities District No. 13	113	336,970.82	107,260,993.00	5,375,000.00	5,622,616.24	10,997,616.24	9.75:1
Total⁽⁶⁾	1,248	\$2,318,432.42	\$1,341,488,965.00	\$17,795,000.00	\$74,983,138.83	\$92,778,138.83	14.46:1

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2013, with respect to Community Facilities District Nos. 4 and 12, and January 31, 2013, with respect to Community Facilities District No. 13, as confirmed by Dolinka Group, LLC, with the City of San Diego and the County. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation. With respect to CFD No. 4, in addition to the 828 parcels listed in Table 8A, the Appraisal includes 2 parcels in CFD No. 4 for which permits were issued after January 1, 2013, which will be classified as Developed Property in Fiscal Year 2014-15. With respect to CFD No. 12, the Appraisal does not include 1 parcel included in the 307 parcels listed in Table 8A for which a permit was issued in Fiscal Year 2008-09 which has been taxed as Developed Property, but for which no development activity had occurred on the lot and does include one parcel for which a building permit was issued after January 1, 2013, which will be classified as Developed Property in Fiscal Year 2014-15. With respect to CFD No. 13, the Appraisal includes 108 of the 113 parcels listed in Table 8A, but does not include 5 parcels for which building permits were issued in Fiscal Year 2008-09 which have been taxed as Developed Property, but for which no development activity has occurred on the lots.

⁽²⁾ Source: Secured tax roll as of January 1, 2012.

⁽³⁾ Source: The Underwriter.

⁽⁴⁾ Source: Detailed Direct and Overlapping Debt Report provided by National Tax Data, Inc.; debt has been proportionately allocated to all parcels based on the Fiscal Year 2012-13 assessment and includes land secured bond indebtedness.

⁽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 8B
Poway Unified School District Public Financing Authority
Estimated Average Combined Fiscal Year 2012-13 Assessed Value and Value-to-Lien Ratio of
Parcels Constituting Developed Property in Fiscal Year 2013-14

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Assessed Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2013-14 Special Tax	Percentage Share of Special Tax
15:1 and above	527	\$36,275,673.50	\$696,974,151.00	15.12:1	\$774,347.10	33.40%
10:1 to 15:1	618	46,086,437.32	583,169,197.00	12.65:1	1,248,389.06	53.85
7:1 to 10:1	50	4,761,315.59	43,001,953.00	9.03:1	131,420.92	5.67
5:1 to 7:1	6	709,463.72	4,128,958.00	5.82:1	17,012.24	0.73
3:1 to 5:1	24	2,371,900.29	8,957,986.00	3.78:1	71,199.24	3.07
3.1 and below	<u>23</u>	<u>2,573,348.42</u>	<u>5,256,720.00</u>	<u>2.04:1</u>	<u>76,063.86</u>	<u>3.28</u>
Total ⁽⁴⁾	1,248	\$92,778,138.83	\$1,341,488,965.00	14.46:1	\$2,318,432.42	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2013, as confirmed by Dolinka Group, LLC, with the City of San Diego and the County. 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 district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 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.

⁽³⁾ Source: Secured tax roll as of January 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 9A
Community Facilities District No. 4
of the Poway Unified School District
Combined Assessed Value and Value-to-Lien Ratio
Based on Fiscal Year 2013-14 Special Tax Levy

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Assessed Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2013-14 Special Tax	Percentage Share of Special Tax
15:1 and above	494	\$33,960,010.03	\$659,192,798.00	19.41:1	\$699,790.86	55.94%
10:1 to 15:1	294	21,353,193.15	280,568,863.00	13.14:1	437,067.58	34.94
7:1 to 10:1	22	2,373,017.37	21,187,568.00	8.93:1	56,244.06	4.50
5:1 to 7:1	4	460,255.85	2,688,693.00	5.84:1	11,029.28	0.88
3:1 to 5:1	7	957,679.97	3,269,052.00	3.41:1	23,235.24	1.86
3.1 and below	7	962,322.00	2,516,023.00	2.61:1	23,531.64	1.88
Total ⁽⁴⁾	828	\$60,066,488.39	\$969,422,997.00	16.14:1	\$1,250,898.66	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2013, 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. Community facilities district debt has been proportionately allocated to all parcels based on the estimated Fiscal Year 2013-14 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.

⁽³⁾ Source: Secured tax roll as of January 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 9B
Community Facilities District No. 12
of the Poway Unified School District
Combined Assessed Value and Value-to-Lien Ratio
Based on Fiscal Year 2013-14 Special Tax Levy

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Assessed Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2013-14 Special Tax	Percentage Share of Special Tax
15:1 and above	27	\$1,772,037.89	\$29,058,648.00	16.40:1	\$58,840.02	8.05%
10:1 to 15:1	253	17,838,034.46	220,887,121.00	12.38:1	598,313.02	81.90
7:1 to 10:1	17	1,287,419.35	11,989,310.00	9.31:1	43,263.16	5.92
5:1 to 7:1	2	249,207.86	1,440,265.00	5.78:1	5,982.96	0.82
3:1 to 5:1	2	277,660.80	1,188,934.00	4.28:1	6,098.50	0.83
3.1 and below	6	289,673.83	240,697.00	0.83:1	18,065.28	2.47
Total ⁽⁴⁾	307	\$21,714,034.20	\$264,804,975.00	12.20:1	\$730,562.94	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2013, 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. Community facilities district debt has been proportionately allocated to all parcels based on the estimated Fiscal Year 2013-14 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.

⁽³⁾ Source: Secured tax roll as of January 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 9C
Community Facilities District No. 13
of the Poway Unified School District
Combined Assessed Value and Value-to-Lien Ratio
Based on Fiscal Year 2013-14 Special Tax Levy

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Assessed Value⁽³⁾	Combined Value-to-Lien Ratio	Fiscal Year 2013-14 Special Tax	Percentage Share of Special Tax
15:1 and above	6	\$543,625.58	\$8,722,705.00	16.05:1	\$15,716.22	4.66%
10:1 to 15:1	71	6,895,209.70	81,713,213.00	11.85:1	213,008.46	63.21
7:1 to 10:1	11	1,100,878.86	9,825,075.00	8.92:1	31,913.70	9.47
5:1 to 7:1	0	0.00	0.00	N/A	0.00	0.00
3:1 to 5:1	15	1,136,559.51	4,500,000.00	3.96:1	41,865.50	12.42
3:1 and below	<u>10</u>	<u>1,321,342.59</u>	<u>2,500,000.00</u>	<u>1.89:1</u>	<u>34,466.94</u>	<u>10.23</u>
Total ⁽⁴⁾	113	\$10,997,616.24	\$107,260,993.00	9.75:1	\$336,970.82	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 31, 2013, as confirmed by Dolinka Group, LLC, with the County 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. Community facilities district debt has been proportionately allocated to all parcels based on the estimated Fiscal Year 2013-14 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.

⁽³⁾ Source: Secured tax roll as of January 1, 2012.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Direct and Overlapping Debt

Tables 10A through 10C below set forth the existing authorized indebtedness payable from taxes and assessments that may be levied within each District prepared by National Tax Data, Inc. in March 2013 with respect to CFD No. 4 and CFD No. 12 and in December 2012 with respect to CFD No. 13 (each a “Debt Report”). Each Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, and the percentage values may change as assessed values of properties outside each District increase due to development. The Authority and the Districts believe the information is current as of its date, but make no representation as to its completeness or accuracy. Other public agencies, such as the County or the City 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 Districts in whole or in part. Such long-term obligations generally are not payable from property taxes, assessment or special taxes on land in the Districts. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Additional indebtedness could be authorized by the Authority, the School District, the City of San Diego or other public agencies at any time.

Property in each District 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 Districts varies. The tables below indicate median tax rates for Fiscal Year 2012-13 of 1.35% with respect to CFD No. 4, 1.68% with respect to CFD No. 12 and 1.66% with respect to CFD No. 13. The tax rate in excess of the standard 1% general purpose *ad valorem* levy is attributable to various public agencies, including, Metropolitan Water District, San Diego County Water Authority and Olivenhain Municipal Water District. The portions of these outstanding general obligation bonds allocable to each District are shown in the tables below.

The Authority and the Districts have not undertaken to commission annual appraisals of the market value of property in such Districts 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 – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto.

The overlapping debt report in Table 10A below includes the assessed value of all parcels within CFD No. 4.

**Table 10A
Community Facilities District No. 4
of the Poway Unified School District
Detailed Direct and Overlapping Debt**

I. Assessed Value

2012-2013 Secured Roll Assessed Value **\$1,089,434,536**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	961,824	\$3,649,804,545	0.29194%	1,028	\$10,655,265.20
Voter Approved Debt	VOTER	961,631	\$329,159,699	0.07170%	1,028	\$236,003.80
City of San Diego CFD No. 2, Impv Area 1	CFD	996	\$4,082,517	100.00000%	996	\$4,082,517.24
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,458	\$254,934	70.36591%	977	\$179,386.58
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	51,897	\$1,463,357	0.24970%	16	\$3,654.02
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSOURCE	4,942	\$510,272	2.54316%	47	\$12,977.02
County of San Diego Vector Control, Zone A	VECTOR	532,622	\$1,495,640	0.19958%	995	\$2,985.00
County of San Diego Vector Control, Zone B	VECTOR	360,572	\$751,895	0.00940%	31	\$70.68
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,845	0.12071%	1,029	\$6,349.32
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,321	\$4,368,410	0.37747%	1,029	\$16,489.56
Olivenhain Municipal Water District Sewer Service Charge	SWR/WTR	47	\$94,071	100.00000%	47	\$94,071.00
Palomar Pomerado Health GOB 2004	GOB	188,965	\$13,889,909	0.37872%	217	\$52,603.70
Poway Unified School District CFD No. 4	CFD	1,285	\$1,196,694	100.00000%	820	\$1,196,693.86
San Diego County Water Authority Standby Charge	STANDBY	363,349	\$3,828,268	0.37445%	1,029	\$14,335.10
2012-2013 TOTAL PROPERTY TAX LIABILITY						\$16,553,402.08
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-2013 ASSESSED VALUATION						1.52%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego CFD No. 2, Impv Area 1	CFD	\$61,020,000	\$49,100,000	100.00000%	996	\$49,100,000
Poway Unified School District CFD No. 4	CFD	\$11,989,000	\$11,643,000	100.00000%	820	\$11,643,000
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$60,743,000
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$60,743,000

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	0.05269%	1,028	\$103,567
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$318,573,901	1.22702%	1,028	\$3,908,956
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$474,631,554	0.39351%	217	\$1,867,730
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$5,880,253
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$5,880,253
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$66,623,253.25

(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 10B below includes the assessed value of all parcels within CFD No. 12.

**Table 10B
Community Facilities District No. 12
of the Poway Unified School District
Detailed Direct and Overlapping Debt**

I. Assessed Value

2012-2013 Secured Roll Assessed Value **\$283,027,304**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	961,824	\$3,649,804,545	0.07701%	393	\$2,810,547.04
Voter Approved Debt	VOTER	961,631	\$329,159,699	0.01891%	393	\$62,249.14
City of San Diego CFD No. 4	CFD	346	\$1,226,642	100.00000%	346	\$1,226,642.04
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,458	\$254,934	16.94762%	262	\$43,205.24
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	51,897	\$1,463,357	0.01677%	9	\$245.34
County of San Diego Vector Control, Zone A	VECTOR	532,622	\$1,495,640	0.05295%	264	\$792.00
County of San Diego Vector Control, Zone B	VECTOR	360,572	\$751,895	0.03912%	129	\$294.12
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,845	0.03873%	393	\$2,037.20
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,321	\$4,368,410	0.13808%	393	\$6,031.80
Palomar Pomerado Health GOB 2004	GOB	188,965	\$13,889,909	0.18417%	131	\$25,581.72
Poway Unified School District CFD No. 12	CFD	441	\$703,803	100.00000%	303	\$703,802.64
San Diego County Water Authority Standby Charge	STANDBY	363,349	\$3,828,268	0.13698%	393	\$5,243.90
2012-2013 TOTAL PROPERTY TAX LIABILITY						\$4,886,672.18
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-2013 ASSESSED VALUATION						1.73%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego CFD No. 4	CFD	\$12,365,000	\$11,475,000	100.00000%	346	\$11,475,000
Poway Unified School District CFD No. 12	CFD	\$7,689,087	\$5,855,808	100.00000%	303	\$5,855,808
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$17,330,808
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$17,330,808

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	0.01369%	393	\$26,906
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$318,573,901	0.31877%	393	\$1,015,519
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$474,631,554	0.18073%	131	\$857,808
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$1,900,233
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$1,900,233

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT **\$19,231,040.78**

(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 10C below includes the assessed value of all parcels within CFD No. 13.

**Table 10C
Community Facilities District No. 13
of the Poway Unified School District
Detailed Direct and Overlapping Debt**

I. Assessed Value

2012-2013 Secured Roll Assessed Value **\$182,192,976**

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	0.04985%	357	\$1,819,409.76
Voter Approved Debt	VOTER	961,631	\$329,159,699.43	0.00948%	357	\$31,199.50
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	51,897	\$1,463,357.32	0.17511%	93	\$2,562.46
County of San Diego Street Lighting, Zone A	LLMD	96,619	\$705,890.56	0.06426%	70	\$453.60
County of San Diego Vector Control, Zone B	VECTOR	360,572	\$751,895.46	0.10734%	354	\$807.12
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,844.58	0.01728%	354	\$908.94
Metropolitan Water District of Southern California Standby Charge	STANDBY	24,923	\$406,120.14	1.13105%	353	\$4,593.42
Olivenhain Municipal Water District AD No. 96-1	1915	23,004	\$1,409,333.72	1.99030%	350	\$28,049.94
Palomar Pomerado Health GOB 2004	GOB	188,965	\$13,889,908.63	0.30782%	357	\$42,756.02
Poway Unified School District CFD No. 13	CFD	389	\$299,812.20	100.00000%	103	\$299,812.20
Poway Unified School District SFID No. 2002-1, 2011 Refunding	GOB	43,411	\$3,910,397.62	0.93985%	357	\$36,751.88
Poway Unified School District SFID No. 2002-1, Series B	GOB	43,411	\$6,620,567.76	0.93986%	357	\$62,224.23
Poway Unified School District SFID No. 2002-1, Series C	GOB	43,411	\$116,156.53	0.94008%	357	\$1,091.97
Rancho Santa Fe Community Services District CFD No. 1	CFD	945	\$3,180,388.44	44.05636%	351	\$1,401,163.52
Rancho Santa Fe Community Services District Sewer Service Charge	SEWER	968	\$684,786.00	22.16970%	353	\$151,815.00
Rancho Santa Fe Fire Protection District Special Tax	FIRE	12,296	\$998,920.00	0.98306%	356	\$9,820.00
San Diego County Water Authority Standby Charge	STANDBY	24,968	\$352,597.14	1.15469%	357	\$4,071.40

2012-2013 TOTAL PROPERTY TAX LIABILITY **\$3,897,490.96**

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-2013 ASSESSED VALUATION **2.14%**

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Olivenhain Municipal Water District AD No. 96-1	1915	\$22,530,000	\$14,815,000	1.99030%	350	\$294,863
Poway Unified School District CFD No. 13	CFD	\$0	\$0	100.00000%	103	\$0
Rancho Santa Fe Community Services District CFD No. 1	CFD	\$48,660,000	\$46,150,000	44.05636%	351	\$20,332,010

TOTAL LAND SECURED BOND INDEBTEDNESS (1) **\$20,626,873**

TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1) **\$20,626,873**

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	0.00869%	357	\$17,073
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$318,573,901	0.20761%	357	\$661,392
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$474,631,554	0.30138%	357	\$1,430,452
Poway Unified School District SFID 2002-1	GOB	\$197,999,320	\$168,664,320	0.58007%	357	\$978,377

TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1) **\$3,087,294**

TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1) **\$3,087,294**

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT **\$23,714,166.67**

(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 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 11A
Community Facilities District No. 4
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Single Family Detached Unit Containing 2,327 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$950,000
Homeowner's Exemption	0
<hr/> Net Assessed Value ⁽²⁾	<hr/> \$950,000

Ad Valorem Property Taxes

	Percent of Total AV	Amount
General Purposes	1.00000%	\$9,500.00
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350%	\$223.24
Palomar Community College Debt Service	0.01365%	129.68
Metropolitan Water District Debt Service	0.00350%	33.24
San Diego City Zoological Exhibit Debt Service	0.00500%	47.50
<hr/> Total Ad Valorem Property Taxes	<hr/> 1.04565%	<hr/> \$9,933.66

Assessments, Special Taxes and Parcel Charges ⁽³⁾

Poway Unified School District CFD No. 4	\$917.66
City of San Diego Santa Luz CFD No. 2, Improvement Area 1	1,812.26
Black Mountain Ranch Sewer Maintenance Charge	150.00
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	3.00
	<hr/> \$2,910.28
Total Assessments, Special Taxes and Parcel Charges	<hr/> \$12,843.94
<hr/> Total Property Taxes	<hr/> 1.35%

- (1) FY 2012/2013 assessed valuation for a single family detached unit containing 2,327 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 4.
(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 11B
Community Facilities District No. 12
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Single Family Detached Unit Containing 3,078 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$785,000
Homeowner's Exemption	0
Net Assessed Value ⁽²⁾	\$785,000

Ad Valorem Property Taxes	Percent of Total AV	Amount
General Purposes	1.00000%	\$7,850.00
Ad Valorem Tax Overrides		
Palomar Community College Debt Service	0.01365%	\$107.14
Metropolitan Water District Debt Service	0.00350%	27.48
San Diego City Zoological Exhibit Debt Service	0.00500%	39.24
Total Ad Valorem Property Taxes	1.02215%	\$8,023.86

Assessments, Special Taxes and Parcel Charges ⁽³⁾

Poway Unified School District CFD No. 12	\$2,054.94
Black Mountain Ranch CFD No. 4	2,936.92
Black Mountain Ranch Sewer Maintenance Charge	150.00
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	3.00
	\$5,172.22

Total Assessments, Special Taxes and Parcel Charges

\$13,196.08

Total Property Taxes

1.68%

(1) FY 2012/2013 assessed valuation for a single family detached unit containing 3,078 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 12.

(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 11C
Community Facilities District No. 13
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Single Family Detached Unit Containing 3,838 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$924,911
Homeowner's Exemption	0
<hr/> Net Assessed Value ⁽²⁾	<hr/> \$924,911

Ad Valorem Property Taxes	Percent of Total AV	Amount
General Purposes	1.00000%	\$9,249.11
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350%	\$217.35
Palomar Community College Debt Service	0.01365%	126.25
Poway Unified SFID 2002-1 Prop U	0.05500%	508.70
Metropolitan Water District Debt Service	0.00350%	32.37
<hr/> Total Ad Valorem Property Taxes	<hr/> 1.09565%	<hr/> \$10,133.78

Assessments, Special Taxes and Parcel Charges ⁽³⁾

Poway Unified School District CFD No. 13	\$2,501.26
Rancho Santa Fe Community CSD CFD No. 1	1,748.42
Sewer Service Charge	800.00
Olivenhain Municipal Water District Assessment District No. 96-1	47.84
County of San Diego CSA 17 Emergency Ambulance Service	27.26
Fire District Special Tax	20.00
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
San Diego County Street and Lighting Zone A	6.48
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	2.28
<hr/>	<hr/> \$5,180.90

Total Assessments, Special Taxes and Parcel Charges

\$15,314.68

Total Property Taxes

1.66%

- (1) FY 2012/2013 assessed valuation for a single family detached unit containing 3,838 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 13.
(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 District 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 District from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within a District on a parity with a lien of the Special Taxes of such District.

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

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

Rates and Methods of Apportionment of Special Tax

The Board and the qualified electors of each District adopted and approved the applicable Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes for such District. 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 such District is generally to be levied as follows: (i) to pay debt service on the indebtedness of the District; (ii) for the direct cost of authorized facilities; (iii) for the administrative expenses with respect to the District incurred in administration of any bonded indebtedness of the District 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 District were levied on Developed Property as defined in the applicable Rate and Method with respect to such District. The homes have been sold to individual owners and, based on the assessed value, no taxpayer Special Tax levy in any District exceeds 1%. Information regarding the Fiscal Year 2012-13 Special Tax levy is set forth above in Tables 2 and 3 in SOURCES OF PAYMENT FOR THE BONDS – “The CFD Bonds – *Special Taxes.*”

CFD No. 4 Rate and Method. The Board and the qualified elector of CFD No. 4 adopted and approved the CFD No. 4 Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the CFD No. 4 Rate and Method is included herein in Appendix B.

Special Taxes may be levied no later than Fiscal Year 2045-46. All property within CFD No. 4 which is being taxed is classified as Developed Property.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 4 for Fiscal Year 2013-14 are set forth in Table 3 with average levy rates and the amounts levied subject to escalation at 2% each year until at least Fiscal Year 2041-42. The CFD No. 4 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. 4 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. 12 Rates and Method. The Board and the qualified electors of CFD No. 12 adopted and approved the Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the Rate and Method for Improvement CFD No. 12 is included herein in APPENDIX B.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 12 for Fiscal Year 2013-14 are set forth in Table 3 with the amounts subject to escalation at 2% each year.

Special Taxes may be levied for a period of 33 Fiscal Years after the last series of bonds has been issued; provided that the Annual Special Taxes shall not be levied after Fiscal Year 2042-43 with respect to CFD No. 12. All property within CFD No. 12 which is being taxed is classified as Developed Property.

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. 13 Rate and Method. The Board and the qualified electors of CFD No. 13 adopted and approved the Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the Rate and Method for CFD No. 13 is included herein in APPENDIX B.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 13 for Fiscal Year 2013-14 is set forth in Table 3 with average levy amounts and the amount levied subject to escalation at 2% each year.

Special Taxes may be levied for a period of 35 Fiscal Years after the last series of bonds have been issued for CFD No. 13, provided that Annual Special Taxes shall not be levied after Fiscal Year 2051-52.

Special Taxes with 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 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 District 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 12A
Community Facilities District No. 4
of the Poway Unified School District
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						March 5, 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	\$900,247.30	\$830,511.43	756	61	\$69,735.87	7.75%	0	\$0.00	0.00%
2009	981,805.62	913,829.58	778	64	67,976.04	6.92	0	0.00	0.00
2010	1,049,367.44	996,296.02	794	37	53,071.42	5.06	3	5,030.96	0.48
2011	1,087,080.36	1,072,789.62	800	14	14,290.74	1.31	2	2,102.49	0.19
2012	1,116,698.34	1,094,135.97	802	23	22,562.37	2.02	2	2,144.55	0.19
2013 ⁽²⁾⁽³⁾	1,196,693.86	584,784.25	820	17	13,562.68	2.27	17	13,562.68	2.27

- (1) Delinquency information is provided to the School District by the County as of March 5, 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) Fiscal Year 2012-13 Special Tax levy includes three (3) Assessor's Parcels that have prepaid the Special Tax levy after the Special Tax levy was enrolled with the County Tax Collector.

Source: Dolinka Group, LLC.

Table 12B
Community Facilities District No. 12
of the Poway Unified School District
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						March 5, 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	\$532,288.86	\$510,622.40	264	12	\$21,666.46	4.07%	0	\$0.00	0.00%
2009	556,449.32	545,927.82	269	6	10,521.50	1.89	0	0.00	0.00
2010	617,723.72	604,417.47	287	9	13,306.25	2.15	1	1,109.70	0.18
2011	647,127.38	638,767.12	293	5	8,360.26	1.29	1	2,263.78	0.35
2012	666,101.34	664,126.46	295	1	1,974.88	0.30	0	0.00	0.00
2013 ⁽²⁾	703,802.64	343,755.07	303	7	8,146.25	2.31	7	8,146.25	2.31

- (1) Delinquency information is provided to the School District by the County as of March 5, 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 12C
Community Facilities District No. 13
of the Poway Unified School District
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						March 5, 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	\$8,382.66	\$8,382.66	3	0	\$0.00	0.00%	0	\$0.00	0.00%
2009	226,037.72	224,336.72	81	1	1,701.00	0.75	0	0.00	0.00
2010 ⁽²⁾	216,136.76	236,301.30	77	0	0.00	0.00	0	0.00	0.00
2011 ⁽³⁾	217,654.42	217,654.42	76	0	0.00	0.00	0	0.00	0.00
2012	243,150.92	243,150.92	84	0	0.00	0.00	0	0.00	0.00
2013 ⁽⁴⁾	299,812.20	148,064.89	103	1	1,841.21	1.23	1	1,841.21	1.23

- (1) Delinquency information is provided to the School District by the County as of March 5, 2013. Except for Fiscal Year 2012-13, reflects fiscal year delinquencies on or about June 30th of the applicable fiscal year.
- (2) Nine (9) units previously classified as Developed canceled their Building Permits and did not construct the permitted unit.
- (3) One (1) Assessor's Parcel prepaid the Special Tax obligation.
- (4) 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 District are not included in the County's Teeter Plan.

BOND OWNERS' RISKS

In addition to the other information contained in this Official Statement, the following risk factors should be carefully considered in evaluating the investment quality of the Bonds. The Authority and the Districts caution prospective investors that this discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Districts to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the Districts to make full and punctual payments of debt service on the CFD 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 District, at the maximum tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the applicable CFD 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 School District also received a letter from the IRS, dated March 6, 2013, in connection with the Authority’s Lease Revenue Bonds, Series 2008 (the “2008 Lease Revenue Bonds”). The IRS has asked for copies of specified documents, information and responses to specific questions. Other items may be requested as the examinations proceed. The School District is cooperating with the IRS in the examinations. The IRS has not made any determination about the tax-exempt status of the SFID 2007-1 Series B Bonds or the Authority’s 2008 Lease Revenue Bonds, including in particular any adverse notices or determinations 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 Conditions. The Bonds are being issued at a time of improving economic conditions. Unemployment rates have decreased to approximately 4.5% for the Poway area as of March, 2013 (not seasonally adjusted) as compared to 5.3% for calendar year 2012 and approximately 7.7% (not seasonally adjusted) for San Diego County as compared to 8.9% for calendar year 2012. The Authority and the Districts cannot predict future economic conditions or whether or to what extent economic conditions may affect the ability of homeowners to pay Special Taxes or the marketability of the Bonds.

State Budget. In recent years as a result of the slow State and United States of America economies, the State experienced serious budgetary shortfalls. The effect of the level of State revenues 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 District. If the value of the land within a District is not sufficient to fully secure the Special Tax, then the District has no recourse against the owner under the laws by which the Special Tax has been levied and the CFD Bonds have been issued.

Assessed Values and Appraised Values. Prospective purchasers of the Bonds should not assume that the land within a District 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 District. 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 Summary Appraisal Report estimates the value of the fee simple interest 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 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 a District should become delinquent in the payment of Special Taxes, and be foreclosed upon, that such property could be sold for the assessed value 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 such District in the Office of the County Recorder of the County as described in “THE DISTRICTS – General.” While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a 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 District be paid in a timely manner. Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the CFD Bonds are derived, are customarily billed to the properties within the applicable District 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 Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. The court upheld the priority of unpaid taxes imposed after the filing of the bankruptcy petition as "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was to foreclose on the property and retain all of the proceeds of the sale except the amount of the pre-petition taxes.

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

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

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

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

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

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

Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the “1991 Policy Statement”). The 1991 Policy Statement was revised and superseded by new Policy Statement effective January 9, 1997 (the “Policy Statement”). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound

business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

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

The Authority and the Districts are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel within a District 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 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 such District 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 District will be based primarily on whether such parcel is developed or not and, for Developed Property, on the type of structure and square footage of buildings constructed. See APPENDIX B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.”

District Formation. California voters, on June 6, 1978, approved an amendment (“Article XIII A”) to the California Constitution. Section 4 of Article XIII A, requires a vote of two-thirds of the qualified electorate to impose “special taxes,” or any additional *ad valorem*, sales or transaction taxes on real property. At an election held pursuant to the Act, more than two-thirds of the qualified electors

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

Collection of Special Tax. In order to pay debt service on the Bonds, it is necessary that the Special Tax levied against land within each District be paid in a timely manner so that debt service on the 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 XIII C (“Article XIII C”) and Article XIII D 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 April 22, 2013, 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 District 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, Los Angeles, California, (the “Underwriter”) at a purchase price of \$18,560,027.80 (which represents the principal amount of the Bonds of \$17,795,000.00, plus the net premium of \$950,985.55 and less the Underwriter’s discount of \$185,957.75). 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 and the fees of Dolinka Group, LLC, as Financial Advisor, are 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. 4, 12
AND 13

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. 4, 12 and 13 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), one virtual high school 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 34,569 students enrolled at the California Basic Educational Data System ("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 April 15, 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 May 2, 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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FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 4 OF THE POWAY UNIFIED SCHOOL DISTRICT

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

A. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Average EDU" means 1.057.

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

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

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

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

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

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

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

"City" means the City of San Diego.

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

"County" means the County of San Diego.

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

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

"Developer" means Santaluz, LLC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Improved Property" means all Assessor's Parcels for which a Final Map has been recorded and on which one or more Custom Units will be built and for which the

Developer has completed a Certificate of Improved Status, attesting to the completion and acceptance of all necessary infrastructure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. CLASSIFICATION OF PROPERTY

1. Classification of Assessor's Parcels by Land Use

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

2. Classification of Units by Special Tax Class

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

Table 1

Special Tax Classes

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

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

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

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

Table 2

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

Final Map Area	Projected Final Map Area Quotient	Projected EDU Surplus/(Deficit) ¹
1	162.30	(56.42)
2	104.85	(16.66)
3	104.25	3.87
4	134.10	24.21
5	41.70	5.77
6	63.80	33.16
7	61.60	32.01
8	55.00	28.58
9	30.80	16.01
10	0.00	0.00
11	48.00	(19.62)
12	47.25	(19.32)
13	55.65	(19.37)
14	56.45	(12.23)
1. These amounts do not sum exactly to zero (0) because of rounding.		

4. Classification of Assessor’s Parcels by Development Block

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

C. DEVELOPMENT PLAN CALCULATIONS

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

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

D. DEVELOPER'S ACCOUNT

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

1. Credits to Developer's Account

a. Prior to Issuance of All Bonds

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

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

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

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

Actual EDU Surplus	4.0
Projected EDU Surplus	2.5
Minimum GPA	\$15,100.46
Credit	= (4.0- 2.5) • \$15,100.46
	= \$22,650.69

b. After Issuance of All Bonds

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

2. Debits to the Developer's Account

a. Debits for Final Map Area Special Taxes

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

b. Debits After Final Map Recordations

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

c. Debits After Issuance of All Bonds

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

E. MAXIMUM ANNUAL SPECIAL TAX

1. Developed Property

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

2. Improved Property

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

3. Golf Course Property

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

4. Undeveloped Property

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

F. FINAL MAP AREA SPECIAL TAX

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

1. Prior to Issuance of All Bonds

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is less than (i.e., more negative) than a Projected EDU Surplus or Projected EDU Deficit. The amount of the Final Map

Area Special Tax will be equal to the dollar equivalent of such deficit (i.e., unexpectedly negative) EDUs and will be calculated as described below:

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

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

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

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

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

2. After Issuance of All Bonds

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

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

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

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

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

$$\begin{aligned} \text{Final Map Area Special Taxes} &= (32.0 - 25.5) \cdot \$15,100.46 \\ &= \$98,152.99 \end{aligned}$$

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

G. DEVELOPMENT BLOCK SPECIAL TAX

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

1. Assignment of Units to Planned Units

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

a. Assignment of Units to Planned Units

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

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

b. Update of Running EDU Total

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

- i. If the Unit is assigned pursuant to Section G.1.a.i. above, then no adjustment shall be made to the Running EDU Total.
- ii. If the Unit is assigned pursuant to Section G.1.a.ii. above, then the Running EDU Total shall be increased by the difference between the EDUs of the Unit and the EDUs of the Planned Unit.
- iii. If the Unit is assigned pursuant to Section G.1.a.iii. above, then the Running EDU Total shall be decreased by the difference between the EDUs of the Planned Unit and the EDUs of the Unit, provided that if such decrease would otherwise reduce the Running EDU Total below zero (0), then the Running EDU Total will be reduced to zero and Development Block Special Tax will be due. In this event, the amount of the Development Block Special Tax will be calculated pursuant to Section G.2 below, and will be paid first by credits in the Running EDU Total Account (see Section G.3. below) to the extent such credits are available, and then, when such credits are not available, in cash, as described in Section G.3.b. below.

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

2. Calculation of Development Block Special Tax

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

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

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

EDUs of Planned Unit:	4.0	
EDUs of Unit:	2.0	
Running EDU Total	1.0	
MGPA	\$15,100.46	
Development Block Special Taxes	=	$(4.0 - (2.0 + 1.0)) \cdot \$15,100.46$
	=	\$15,100.46

3. Running EDU Total Account

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

a. Credits to Running EDU Total Account

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

b. Debits to Running EDU Total Account

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

H. ONE-TIME SPECIAL TAX

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

Table 3

Calendar Year 2000 One-Time Special Tax

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

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

I. ASSIGNED ANNUAL SPECIAL TAX

1. Developed Property

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

Table 4

Fiscal Year 2000-01 Assigned Annual Special Tax

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

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

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

2. Improved Property

For Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Improved Property will be \$719.25 per Assessor's Parcel. For each Fiscal Year thereafter, the Assigned Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

3. Undeveloped Property

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

J. BACK-UP ANNUAL SPECIAL TAX FOR IMPROVED PROPERTY

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

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

K. METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

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

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

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

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

L. PREPAYMENT OF ANNUAL SPECIAL TAX OBLIGATION

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

1. Prior to Issuance of All Bonds

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

TABLE 5

Calendar Year 2000 Net Prepayment Amounts

Special Tax Class	CY 2000 Gross Prepayment Amount	CY 2000 One-Time Special Tax	CY 200 Net Prepayment Amount
1	\$15,955.43 per Unit	\$2,000.00 per Unit	\$13,955.43 per Unit
2	\$15,955.43 per Unit	\$3,444.52 per Unit	\$12,510.91 per Unit
3	\$15,955.43 per Unit	\$3,927.27 per Unit	\$12,028.16 per Unit
4	\$15,955.43 per Unit	\$4,768.05 per Unit	\$11,187.38 per Unit
5	\$15,955.43 per Unit	\$5,445.09 per Unit	\$10,510.34 per Unit
6	\$15,955.43 per Unit	\$6,242.07 per Unit	\$9,713.37 per Unit
7	\$15,955.43 per Unit	\$6,857.54 per Unit	\$9,097.89 per Unit
8	\$16,945.50 per Unit	\$7,674.37 per Unit	\$9,271.13 per Unit
9	\$20,119.62 per Unit	\$8,320.00 per Unit	\$11,799.62 per Unit
10	\$21,840.85 per Unit	\$9,198.40 per Unit	\$12,642.45 per Unit
11	\$23,483.68 per Unit	\$9,998.40 per Unit	\$13,485.28 per Unit
12	\$25,569.34 per Unit	\$10,398.40 per Unit	\$15,170.94 per Unit
13	\$31,867.26 per Unit	\$13,325.00 per Unit	\$18,542.26 per Unit
14	\$1,000.00 per Unit	\$1,000.00 per Unit	\$0.00 per Unit
15	\$15,955.43 per Unit	\$2,000.00 per Unit	\$13,955.43 per Unit
16	\$7,057.21 per Unit	\$7,057.21 per Unit	\$0.00 per Unit
17	\$0.3314 per BSF	\$0.3314 per BSF	\$0.00 per Unit

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

2. After Issuance of All Bonds

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

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

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

1. Divide the Assigned Annual Special Tax for the Assessor's Parcel by the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Assistant Superintendent.
2. Multiply the result of paragraph 1 above by the principal amount of Bonds outstanding. The result is the "Bond Redemption Amount."
3. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
4. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 8) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
5. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
6. Subtract the amount computed pursuant to paragraph 5 from the amount computed pursuant to paragraph 4. This difference is the "Defeasance."
7. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
8. Determine the lesser of: (a) the expected reduction in the applicable reserve requirement, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by

subtracting the new reserve requirement in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve fund on the prepayment date. If the result is greater than zero, then the result is the "Reserve Fund Credit." If the result is less than zero, then no Reserve Fund Credit shall be given.

9. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

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

M. PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX OBLIGATION

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

The Partial Prepayment Amount shall be calculated as follows:

$$PP = P_L \cdot F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

P_L = the Prepayment Amount calculated according to Section L

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

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

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

N. TERMINATION OF ANNUAL SPECIAL TAX

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

O. EXEMPTIONS

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

P. APPEALS

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

Q. MANNER OF COLLECTION

1. Final Map Area Special Taxes

The Final Map Area Special Tax applicable to a Final Map Area, if any, will be due prior to the issuance of the first Building Permit in such Final Map Area, and shall be levied *pro rata* on each Assessor's Parcel of Taxable Property within such Final Map Area based upon the Acreage of such Assessor's Parcels. Notwithstanding the foregoing, the Assistant Superintendent shall give the

Developer written notice of the amount of the Final Map Area Special Tax due at least fifteen (15) days prior to enrolling such Final Map Area Special Tax with the County, provided that the first Building Permit is issued in such Final Map Area at least thirty (30) days prior to the due date for enrolling Special Taxes with the County, and if such written notice is given, then the Developer shall have ten (10) days to pay the Final Map Area Special Taxes before the Assistant Superintendent may enroll the Final Map Area Special Taxes with the County. Moreover, notwithstanding the foregoing, no Building Permits will be issued in such Final Map Area until all Final Map Area Special Taxes which are due for such Final Map Area are paid.

2. Development Block Special Taxes

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

3. One-Time Special Taxes

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

4. Annual Special Taxes

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

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**FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 12
OF POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes of Poway Unified School District ("School District") Community Facilities District No. 12 ("CFD No. 12"). An Annual Special Tax shall be levied on and collected in CFD No. 12 each Fiscal Year, in an amount determined through the application of the First Amended Rate and Method of Apportionment described below. All of the real property in CFD No. 12, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map or as calculated from the applicable Assessor's Parcel Map by the Board.

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 12 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 12, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 12.

"Affordable Unit" means any of up to 42 Units in CFD No. 12 designated as Affordable Units in writing to the Deputy Superintendent at the Developer's election at the time the applicable Building Permit is issued, provided that each such Unit is (i) subject to affordable housing restrictions under any applicable law and (ii) not a Senior Citizen Unit. Under no circumstances may the Developer designate more than 42 Units as Affordable Units in CFD No. 12.

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

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 12.

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

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

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

"Attached Unit" means a Unit that (i) is located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit and (ii) is not an Affordable Unit or a Senior Citizen Unit.

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

"Board" means the Board of Education of Poway Unified School District, or its designee, acting as the Legislative Body of CFD No. 12.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes have been pledged by CFD No. 12 or the School District.

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

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

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

"CFD No. 12" means Community Facilities District No. 12 established by the School District under the Act.

Commercial/Industrial Building" means all Assessor's Parcels in CFD No. 12 for which a building permit was issued on or before January 1 of the prior Fiscal Year for the construction of a commercial/industrial structure, excluding utility improvements, retaining walls, parking structures or other such improvements not intended for commercial/industrial use.

"County" means the County of San Diego.

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

"Detached Unit" means a Unit that is not an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

"Developed Property" means all Assessor's Parcels of Taxable Property for which Building Permits were issued on or before January 1 of the prior Fiscal Year, provided that such Assessor's Parcel is associated with a Lot, as determined reasonably by the Board.

"Developer" means Shea Homes, a California limited partnership and its successors and assigns, as applicable.

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

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

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

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

"Gross Floor Area" or "GFA" means, for an Assessor's Parcel of Commercial/Industrial Property, the covered and enclosed space determined to be within the perimeter of a commercial or industrial structure, not including any storage areas incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposal area, as used in Section 65995 of the Government Code. The determination of Gross Floor Area shall be made by the Deputy Superintendent in accordance with the standard practice of the building department of the City.

"Gross Prepayment Amount" means the Prepayment Amount for an Assessor's Parcel prior to Bonds being issued by CFD No. 12, as determined in accordance with Section G.

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

"Inflator" means the greater of (i) 2.00% or (ii) the percentage generated from the following equation: $4.00\% \times 17.45\% + \Delta \text{ Index} \times 82.55\%$, where $\Delta \text{ Index}$ is the change in the Index as measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

"Lot" means an individual legal lot created by a Final Map for which a Building Permit could be issued.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C, that can be levied by CFD No. 12 in any Fiscal Year on any Assessor's Parcel.

"Minimum Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of CFD No. 12, (iii) the costs associated with the release of funds from an escrow account, and (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, less (v) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

"Minimum Taxable Acreage" means, for either Zone, the applicable Acreage listed in Table 4.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Annual Special Tax obligation for an Assessor's Parcel, as described in Section H.

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

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

"Residential Property" means all Assessor's Parcels of Developed Property for which the Building Permit was issued for the construction of one or more Units.

"School District" means Poway Unified School District.

"Senior Citizen Unit" means a Unit designated as senior citizen housing, part of a residential care facility for the elderly, or part of a multi-level care facility for the elderly as referred to in California Government Code Section 65995.1. For purposes hereof, it shall be sufficient to designate a Unit as a Senior Citizen Unit if Senior Citizen Restrictions have been affected with respect to such Unit.

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

"Special Tax" means any of the special taxes authorized to be levied by CFD No. 12 pursuant to the Act.

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

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

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

"Zone" means the areas identified as a Zone in Exhibit A to this Rate and Method of Apportionment.

"Zone 1" means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

"Zone 2" means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

"**Zone 3**" means all property located within the area identified as Zone 3 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

"**Zone 4**" means all property located within the area identified as Zone 4 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2001-02, each Assessor's Parcel shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property or Undeveloped Property. Finally, in the event that CFD No. 12 is required to levy the Backup Annual Special Tax in a given Fiscal Year, each Assessor's Parcel of Developed Property shall be assigned to a Zone in accordance with Exhibit A at the reasonable discretion of the Board.

SECTION C MAXIMUM SPECIAL TAXES

1. Developed Property

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

2. Undeveloped Property

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

SECTION D ASSIGNED ANNUAL SPECIAL TAXES

1. Developed Property

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to an Assigned Annual Special Tax. The Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2001-02 shall be determined pursuant to Table 1.

TABLE 1

**ASSIGNED ANNUAL SPECIAL TAX FOR
DEVELOPED PROPERTY
FISCAL YEAR 2001-02**

Unit Type	Building Square Feet	Rate
Detached	> 3,750 BSF	\$2,012.48 per Unit
Detached	3,501 – 3,750 BSF	\$1,876.68 per Unit
Detached	3,251 – 3,500 BSF	\$1,740.88 per Unit
Detached	3,001 – 3,250 BSF	\$1,605.09 per Unit
Detached	2,751 – 3,000 BSF	\$1,469.29 per Unit
Detached	2,501 – 2,750 BSF	\$1,333.49 per Unit
Detached	2,251 – 2,500 BSF	\$1,116.21 per Unit
Detached	2,001 – 2,250 BSF	\$989.46 per Unit
Detached	1,751 – 2,000 BSF	\$862.72 per Unit
Detached	1,501 – 1,750 BSF	\$735.97 per Unit
Detached	≤ 1,500 BSF	\$609.23 per Unit
Attached	NA	\$609.23 per Unit
Affordable	NA	\$0.00 per Unit
Senior Citizen	NA	\$0.00 per Unit

For each Fiscal Year after Fiscal Year 2001-02, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be increased by the Inflater. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Assigned Annual Special Tax for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Undeveloped Property

Each Fiscal Year, each Assessor's Parcel of Undeveloped Property shall be subject to an Assigned Annual Special Tax. The Assigned Annual Special Tax rate for an Assessor's Parcel of Undeveloped Property for Fiscal Year 2001-02 shall be \$8,238.00 per acre of Acreage. For each Fiscal Year thereafter, the Special Tax rate for Undeveloped property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

SECTION E
BACKUP ANNUAL SPECIAL TAXES

The Backup Annual Special Tax for an Assessor's Parcel of Developed Property for each Zone in Fiscal Year 2001-02 shall be determined pursuant to Table 2. For each Fiscal Year after Fiscal Year 2001-02, the Backup Annual Special Tax for each Assessor's Parcel of Developed Property shall increase by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

TABLE 2

BACKUP ANNUAL SPECIAL TAX

Zone	Backup Annual Special Tax
Zone 1	\$2,227.58 per acre of Acreage
Zone 2	\$5,732.71 per acre of Acreage
Zone 3	\$9,533.35 per acre of Acreage
Zone 4	\$11,705.42 per acre of Acreage

SECTION F
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

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

**SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAXES**

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

1. Prior to Issuance of Bonds

Prior to the issuance of Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued shall be the applicable Gross Prepayment Amount. The Gross Prepayment Amount for Fiscal Year 2001-02 shall be determined by reference to Table 3, subject to adjustment as described below.

TABLE 3

**GROSS PREPAYMENT AMOUNTS PRIOR
TO THE ISSUANCE OF BONDS
FISCAL YEAR 2001-02**

Unit Type	Building Square Feet	Prepayment Amount
Detached	> 3,750 BSF	\$25,511.78 per Unit
Detached	3,501 – 3,750 BSF	\$23,810.99 per Unit
Detached	3,251 – 3,500 BSF	\$22,110.21 per Unit
Detached	3,001 – 3,250 BSF	\$20,409.42 per Unit
Detached	2,751 – 3,000 BSF	\$18,708.64 per Unit
Detached	2,501 – 2,750 BSF	\$17,007.85 per Unit
Detached	2,251 – 2,500 BSF	\$17,007.85 per Unit
Detached	2,001 – 2,250 BSF	\$17,007.85 per Unit
Detached	1,751 – 2,000 BSF	\$17,007.85 per Unit
Detached	1,501 – 1,750 BSF	\$17,007.85 per Unit
Detached	≤ 1,500 BSF	\$17,007.85 per Unit
Attached	NA	\$7,552.70 per Unit
Affordable	NA	\$0.00 per Unit
Senior Citizen	NA	\$0.00 per Unit

Each Fiscal Year, commencing Fiscal Year 2002-03, the Gross Prepayment Amounts shall be increased by the Inflation. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Gross Prepayment Amount for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Subsequent to Issuance of Bonds

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

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

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

1. For Assessor's Parcels of Developed Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel. For Assessor's Parcels of Undeveloped Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit issued for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property or Undeveloped Property to be prepaid, (a) divide the sum of the Assigned Annual Special Taxes computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board, and (b) divide the sum of Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board.
3. The amount determined pursuant to Section G.1. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal which is allocable to the applicable Assessor's Parcel, as determined by the Board. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the date of the applicable principal payment.
4. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the

face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."

5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if a surety bond or other instrument satisfies the reserve fund requirement at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Board shall indicate in the records of CFD No. 12 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Taxes shall cease.

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

SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of an Assessor's Parcel, as calculated in Section H.2. below, may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

1. Partial Prepayment Times and Conditions

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

2. Partial Prepayment Amount

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

$$PP = P_G \times F$$

The terms above have the following meanings:

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

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 12 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation, to indicate the partial prepayment of the Annual Special Tax obligation and the partial

release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

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

SECTION I TERMINATION OF SPECIAL TAX

Annual Special Taxes shall be levied for a period of thirty-three (33) Fiscal Years after the last series of Bonds has been issued, as determined by the Board, provided that Annual Special Taxes shall not be levied after Fiscal Year 2042-43.

SECTION J EXEMPTIONS

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels classified as Golf Course Property or containing a Commercial/Industrial Building with no Units, and (vi) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the sum of all Developed Property and Undeveloped Property in such Zone to less than the Minimum Taxable Acreage. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property in such Zone to less than the Minimum Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property in such Zone to less than the Minimum Taxable Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

TABLE 4

MINIMUM TAXABLE ACREAGE

Zone	Minimum Taxable Acreage
Zone 1	110.43
Zone 2	21.45
Zone 3	18.13
Zone 4	31.61

SECTION K APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 12 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION L MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 12 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

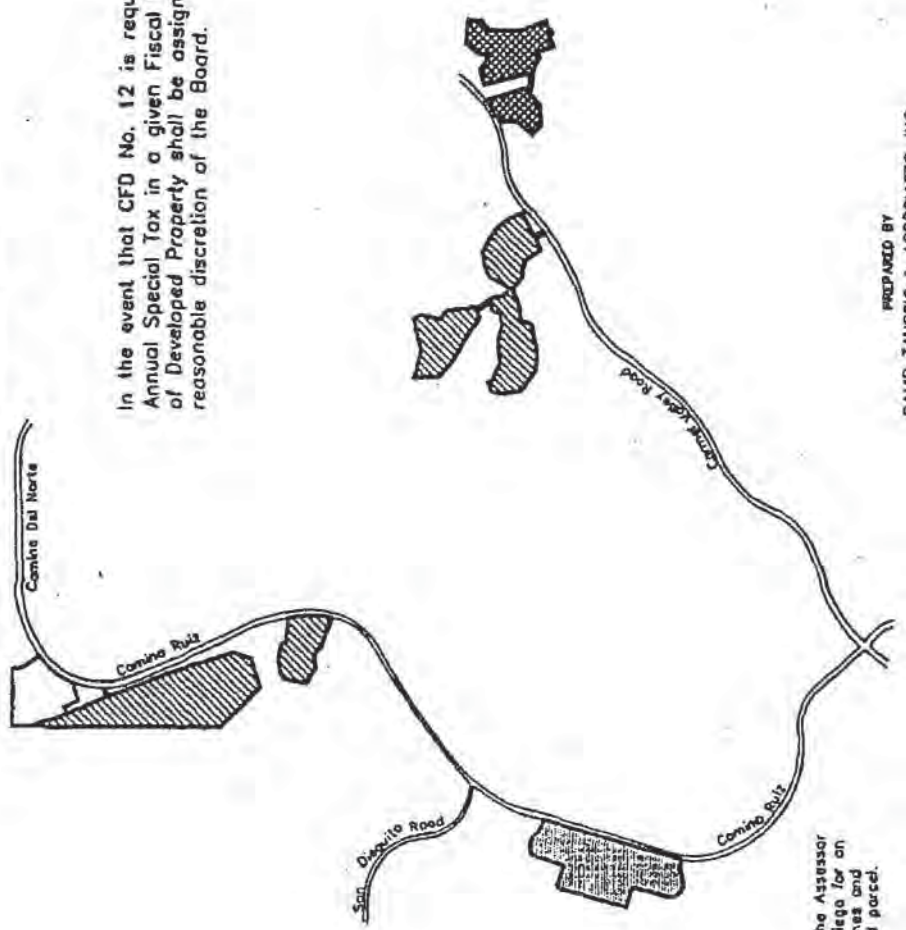
EXHIBIT A

ZONE MAP OF CFD NO. 12

EXHIBIT "A"
OF RATE AND METHOD OF APPORTIONMENT
ZONE MAP
COMMUNITY FACILITIES DISTRICT NO. 12
POWAY UNIFIED SCHOOL DISTRICT

SHEET 1 OF 2

In the event that CFD No. 12 is required to levy the Backup Annual Special Tax in a given Fiscal Year, each Assessor's Parcel of Developed Property shall be assigned to a Zone at the reasonable discretion of the Board.



LEGEND

Boundary of Community Facilities District No. 12

	Zone 1
	Zone 2
	Zone 3
	Zone 4

Reference is hereby made to the Assessor maps of the County of San Diego for an exact description of the lines and dimensions of each lot and parcel.

PREPARED BY
DAVID TAUSSIG & ASSOCIATES, INC.

EXHIBIT "A"
ASSESSOR'S PARCELS WITHIN
COMMUNITY FACILITIES DISTRICT NO. 12 OF
POWAY UNIFIED SCHOOL DISTRICT

ZONE 1

267-150-08
267-150-10
312-142-06

ZONE 2

267-150-14

ZONE 3

312-160-05

ZONE 4

303-070-24
303-070-27

FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 13 OF POWAY UNIFIED SCHOOL DISTRICT

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes ("Rate and Method of Apportionment") of Community Facilities District No. 13 ("CFD No. 13") of the Poway Unified School District ("School District"). An Annual Special Tax shall be levied on and collected on Taxable Property (defined below) located within the boundaries of CFD No. 13 each Fiscal Year in an amount determined through the application of the First Amended Rate and Method of Apportionment described below. All of the real property in CFD No. 13, 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 CFD No. 13 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 CFD No. 13, and reasonable costs otherwise incurred in order to carry out the authorized purposes of CFD No. 13.

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

"Approved Property" means an Assessor's Parcel in CFD No. 13 which represents a Lot in a Final Subdivision Map that was recorded prior to January 1 of the prior Fiscal Year, but for which a Building Permit has not been issued on or before May 1 of the prior Fiscal Year. Notwithstanding the above, once an Assessor's Parcel has been classified Approved Property, it shall remain Approved Property until such time as a Building Permit is issued.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 13.

"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 CFD No. 13.

"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 year 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 Non-Arbitrage 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 County, or another public agency in the event the County no longer issues said permits for the construction of Units within CFD No. 13. 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.

"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 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 Board.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes in Section K each Fiscal Year as determined May 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 CFD No. 13.

"Index" means the Marshall & Swift eight (8) California Cities Class B Construction Cost Index, or if the Marshall & Swift eight (8) California 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) 2.00% or (ii) the percentage change in the Index as measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

"Lot" means an individual legal lot created by a Final 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 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 CFD No. 13 in any Fiscal Year on any Assessor's Parcel.

"Minimum Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of CFD No. 13, (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 based on the delinquency rate for Special Taxes levied in the previous Fiscal Year.

"Minimum Taxable Acreage" means the applicable Acreage listed in Table 4 set forth in Section K.

"Net Taxable Acreage" means the total Acreage of all Taxable Property expected to exist in CFD No. 13 after all Final Subdivision Maps are recorded.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Annual Special Tax obligation for an Assessor's Parcel as described in Section H.

"Prepayment Administrative Fees" means any fees or expenses of the School District or CFD No. 13 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) 30 Fiscal Years after the current Fiscal Year or (b) the termination date specified in Section J. 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 which a Building Permit was issued for the construction of one or more Units.

"Special Tax(es)" means any of the special taxes authorized to be levied by CFD No. 13 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 or Approved 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 of CFD No. 13 as in Section N of this Rate and Method of Apportionment.

"Zone 1" means all property located within the area identified as Zone 1 of CFD No. 13 as in Section N, subject to interpretation by the Board as described in Section B.

"Zone 2" means all property located within the area identified as Zone 2 of CFD No. 13 as in Section N, subject to interpretation by the Board as described in Section B.

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

For each Fiscal Year, beginning with Fiscal Year 2007-08, each Assessor's Parcel within CFD No. 13 shall be assigned to a Zone in accordance with Section N at the reasonable discretion of the Board and each Assessor's Parcel within each Zone shall be classified as Taxable Property or Exempt Property. Furthermore, each Assessor's Parcel of Taxable Property shall be classified as Developed Property, Approved Property, or Undeveloped Property. Developed Property within Zone 1 shall be further classified based on the Building Square Footage of the Unit. The classification of Exempt Property within each Zone shall take into consideration Minimum Taxable Acreage for such Zone as determined pursuant to Section K.

SECTION C MAXIMUM SPECIAL TAXES

1. Developed Property

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

2. Approved Property or Undeveloped Property

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

**SECTION D
ASSIGNED ANNUAL SPECIAL TAXES**

1. Developed Property

A. Assigned Annual Special Tax For Newly Developed Property

The Assigned Annual Special Tax for an Assessor's Parcel of Developed Property within a particular Zone in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be determined by reference to Tables 1 and 2 for such Zone, subject to increases as described below.

TABLE 1

**ASSIGNED ANNUAL SPECIAL TAX FOR
NEWLY DEVELOPED PROPERTY IN ZONE 1
FISCAL YEAR 2007-08**

Building Square Footage	Assigned Annual Special Tax
< 4,000	\$2,260.50 per Unit
4,000 – 4,300	\$2,637.25 per Unit
4,301 – 4,600	\$2,888.41 per Unit
4,601 – 4,900	\$3,139.58 per Unit
4,901 – 5,200	\$3,233.77 per Unit
> 5,200	\$3,327.95 per Unit

TABLE 2

**ASSIGNED ANNUAL SPECIAL TAX FOR
NEWLY DEVELOPED PROPERTY IN ZONE 2
FISCAL YEAR 2007-08**

Building Square Footage	Assigned Annual Special Tax
NA	\$2,806.35 per Unit

Each July 1, commencing July 1, 2008, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property within a particular Zone in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be increased by the Inflater for such Zone.

B. Assigned Annual Special Tax for Existing Developed Property

Each July 1, commencing the July 1 immediately following the Fiscal Year in which the Assessor's Parcel was first classified as Developed Property within a particular Zone, the Assigned Annual Special Tax applicable to such Assessor's Parcel shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year for such Zone.

2. Approved Property or Undeveloped Property

The Assigned Annual Special Tax per Acre for an Assessor's Parcel of Approved Property or Undeveloped Property each Fiscal Year shall be the amount determined by reference to Table 3 according to the Zone within which the Assessor's Parcel is located.

TABLE 3
ASSIGNED ANNUAL SPECIAL TAX FOR
APPROVED PROPERTY OR UNDEVELOPED PROPERTY
FISCAL YEAR 2007-08

Location	Assigned Annual Special Tax
Zone 1	\$5,619.14 per Acre
Zone 2	\$5,619.13 per Acre

Each July 1, commencing July 1, 2008, the Assigned Annual Special Tax per acre of Acreage for each Assessor's Parcel of Approved Property or Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

SECTION E
BACKUP ANNUAL SPECIAL TAXES

Each Fiscal Year, each Assessor's Parcel of Developed Property within a particular Zone 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 2007-08 or such later Fiscal Year within a particular Zone 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
- U = Assigned Annual Special Tax per acre of Acreage for Undeveloped Property or Approved Property in the Fiscal Year which the calculation is performed for such Zone
- A = Acreage of Taxable Property in such Final Subdivision Map at time of calculation, as determined by the Board pursuant to Section K
- L = Lots in the Final Subdivision Map at the time of calculation for such Zone.

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 with 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 2007-08, 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 Approved 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 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 Four: If the sum of the amounts collected in steps one, two, and three 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 Approved Property or 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.

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 13 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 CFD No. 13 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 PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of an Assessor's Parcel may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

1. Partial Prepayment Times and Conditions

Prior to the conveyance of the first production Unit on a Lot within a Final Subdivision Map to a Homeowner, 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 for all Assessor's Parcels prior to the conveyance of the first production Unit to a Homeowner with respect to such Final Subdivision Map.

2. Partial Prepayment Amount

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

$$PP = P_G \times F$$

The terms above have the following meanings:

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

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 13 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 the Backup Annual Special Tax if applicable for the Assessor's Parcel 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 and such partial 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 I
EXCESS ASSIGNED ANNUAL SPECIAL TAXES**

In any Fiscal Year 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 amount for acquisition, construction or financing of school facilities in accordance with the Act, CFD No. 13 proceedings, and other applicable laws as determined by the Board.

**SECTION J
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 2051-2052.

SECTION K EXEMPTIONS

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels 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, and (vi) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage within a given Zone to less than the Minimum Taxable Acreage for such Zone. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property in a given 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 given Zone to less than the Minimum Taxable Acreage for such Zone will continue to be classified as Developed Property, Undeveloped Property, or Approved Property, as applicable, and will continue to be subject to Special Taxes accordingly.

TABLE 4

MINIMUM TAXABLE ACREAGE

Location	Minimum Taxable Acreage
Zone 1	175.80 Acres
Zone 2	14.98 Acres

SECTION L 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 CFD No. 13 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 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 and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that CFD No. 13 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until such Special Taxes are paid.

SECTION N MAP OF ZONES

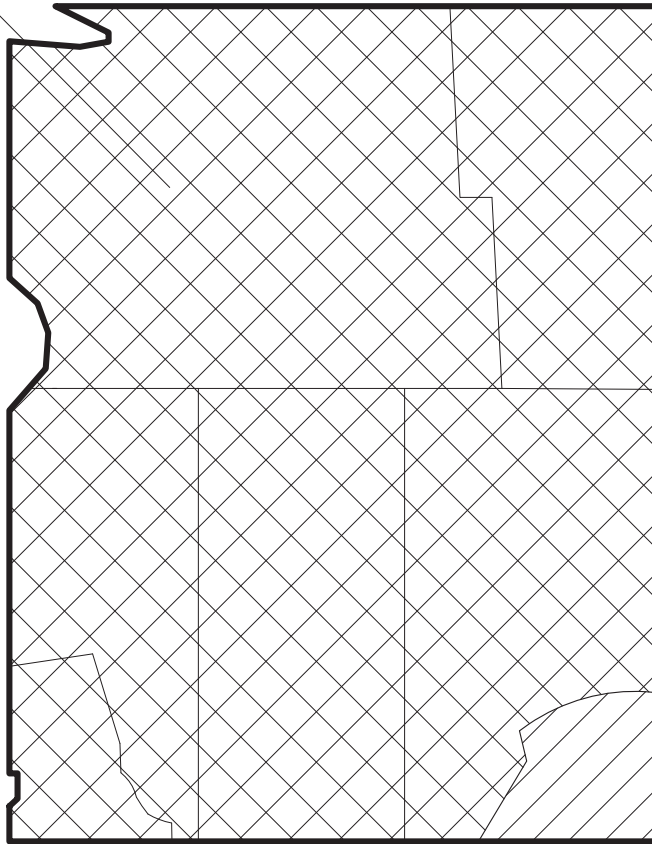
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AMENDED SECTION N
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 13
MAP OF ZONES

(The boundaries of this APN exclude Lot 1 of Map No. 15365 recorded in the office of the Recorder of the County of San Diego, State of California on June 23, 2006 as File No. 2006-0447425.)





Bing Crosby Blvd

Escondido Del Dios Highway



Camino Del Norte

LEGEND

	Boundaries of Community Facilities District No. 13
	Assessor's Parcel Line
	Zone 1
	Zone 2

Reference is hereby made to the Assessor maps of the County of San Diego for an exact description of the lines and dimensions of each lot and parcel.

PREPARED BY
DOLINKA GROUP, INC.

APPENDIX C
SUMMARY APPRAISAL REPORT

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SUMMARY APPRAISAL REPORT

COVERING

Poway Unified School District
CFD Nos. 4, 12 & 13

DATE OF VALUE:

March 15, 2013

SUBMITTED TO:

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

Attn: Sandra G. Burgoyne
Planning Director

DATE OF REPORT:

April 1, 2013

SUBMITTED BY:

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

Stephen G. White, MAI



Real Estate Appraiser

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

April 1, 2013

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

Re: CFD Nos. 4, 12 & 13

Attn: Sandra G. Burgoyne
Planning Director

Dear Ms. Burgoyne:

In accordance with your request, I have completed an appraisal on the pertinent taxable properties within Community Facilities District (CFD) Nos. 4, 12 and 13. The taxable properties to be included are only those parcels for which homes had been completed or were under construction as of the March 15, 2013 date of value for this appraisal. Thus, the properties to be included within each of the CFD's are summarized as follows:

- CFD No. 4: 11 different product types of detached and attached homes with a total of 830 homes; including 819 completed homes and 11 homes under construction
- CFD No. 12: 5 different product types of detached homes with a total of 307 homes; including 303 completed homes and 4 homes under construction
- CFD No. 13: 2 different general product types of detached homes with a total of 108 homes; including 103 completed homes and 5 homes under construction

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 each of the 18 different product types or neighborhoods of homes within their appropriate CFD. The as is condition reflects the status of either being completed homes or homes under construction.

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 March 15, 2013:

<u>Product Type</u>	<u>No. Homes</u>	<u>Market Value</u>
CFD No. 4:		
Sycamore Walk	50	\$20,000,000
Spanish Bungalows	64	\$52,480,000
Garden Homes	62	\$55,800,000
Davidson at Santaluz	71	\$76,680,000
Belsera	65	\$74,750,000

SANDRA G. BURGOYNE
APRIL 1, 2013
PAGE 2

<u>Product Type</u>	<u>No. Homes</u>	<u>Market Value</u>
CFD No. 4:		
Casitas	80	\$72,000,000
Sentinels	80	\$94,400,000
Haciendas Sur	50	\$58,500,000
Posadas	54	\$102,600,000
Custom Homes	208	\$531,690,000
La Vina	<u>46</u>	<u>\$22,080,000</u>
	830	\$1,160,980,000
CFD No. 12:		
Avaron	59	\$70,800,000
Gables Crossing	30	\$49,400,000
Cortiles	66	\$50,820,000
Patria	87	\$66,990,000
Palazzo	<u>65</u>	<u>\$53,950,000</u>
	307	\$291,960,000
CFD No. 13:	<u>108</u>	<u>\$123,400,000</u>
GRAND TOTALS	1,245	\$1,576,340,000

**(ONE BILLION FIVE HUNDRED SEVENTY-SIX MILLION
THREE HUNDRED FORTY THOUSAND DOLLARS)**

The following is the balance of this 108-page report which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation and market data from which the value conclusions were derived.

Sincerely,



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

SGW:sw
Ref: 13008

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INTRODUCTION

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CFD NO. 12 75-97

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ADDENDA

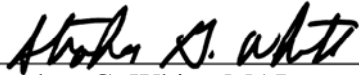
Qualifications of Appraiser..... 106-108

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 on a mass appraisal basis of the as is condition of the pertinent parcels (completed homes or homes under construction as of March 15, 2013) by product type located within CFD Nos. 4, 12 and 13. 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 APPRAISAL

It is the intent of this appraisal that all appropriate data considered pertinent in the analysis of the subject properties be collected, confirmed and reported in this Summary Appraisal Report 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 sales, individual 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.

DATE OF VALUE

The date of value for this appraisal is March 15, 2013.

PROPERTY RIGHTS APPRAISED

The appraisal 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)

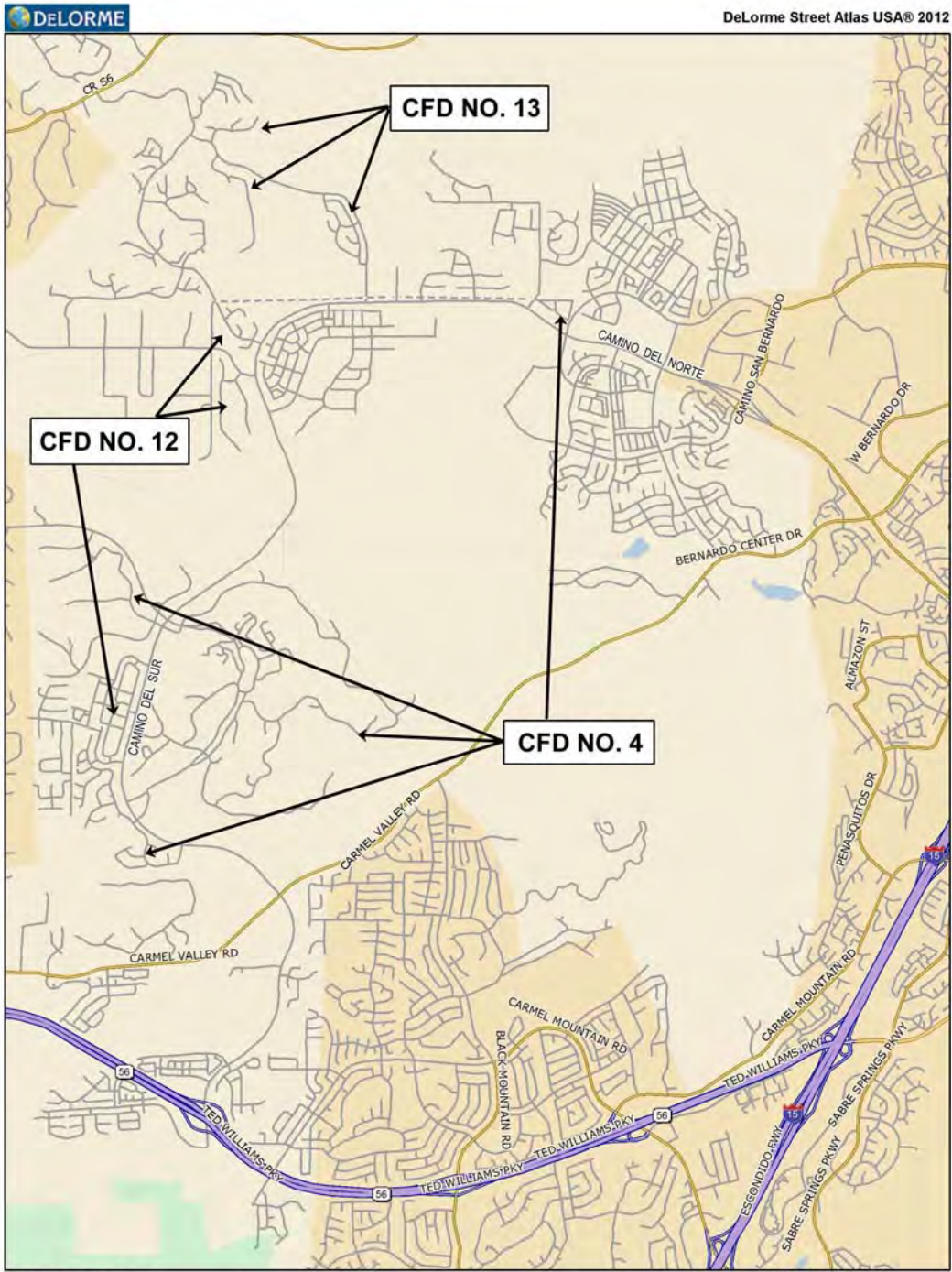
DEFINITION OF MASS APPRAISAL

The process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing. Often associated with real estate tax assessment valuation. (The Dictionary of Real Estate Appraisal, Fifth Edition)

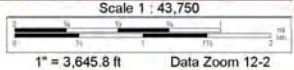
DEFINITION OF FINISHED LOT

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



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www.delorme.com



INTRODUCTION

LOCATION

The map on the opposite page indicates the approximate location of the three CFDs that are included in this appraisal. CFD Nos. 4 and 12 are located within the City of San Diego and CFD No. 13 is located in unincorporated County of San Diego. The general locations are described as follows:

CFD No. 4: The bulk of this CFD is located on both sides of Camino Del Sur northerly of Carmel Valley Rd., and with a small part of the CFD located on the southeast side of Four Gee Rd. nearby to the northeast of Camino Del Sur.

CFD No. 12: The northerly part of this CFD is located on the westerly side of Camino Del Sur at Bing Crosby Blvd. and at Artesian Rd., and the southerly part of the CFD is located on the westerly side of Camino Del Sur at Via Verrazzano.

CFD No. 13: This CFD is located in the area to the north/northwest of Camino Del Sur and Old Course Rd., westerly of and then on both sides of Old Course Rd. as it curves to the northwest and west.

OVERVIEW OF CFD'S

CFD No. 4

This CFD comprises the bulk of the master-planned community of Santaluz, together with a separate townhome project located nearby to the southwest of Santaluz (Sycamore Walk) and a separate detached condo project (La Vina) located several miles to the northeast of Santaluz. Within Santaluz there are 9 different product types of homes, including various tract-type homes, semi-custom homes and custom homes. Many of the homes within Santaluz front on the golf course that extends throughout the central part of the community, and many homes also have good views, some that include distant ocean views. Thus, CFD No. 4 includes a total of 11 different product types with a total of 819 completed homes and 11 homes under construction.

Santaluz is a private guard-gated community that comprises approximately 4,000 acres, including over 1,000 acres of open space with ridgelines, deep ravines and gentle hillsides. Within the central part of the community is a private golf course designed by Rees Jones which comprises about 250 acres and includes a 35,000 s.f. clubhouse. The elevation of Santaluz varies from about 200' to 900', resulting in views to about 80% of the homes or lots, including the territorial views as well as the distant ocean views. The community also includes an 11-acre village green, community pool, six tennis courts, and a 19,000 s.f. community building including a gym, multi-purpose room, fitness center and café. Certain of the amenities require differing membership levels. Home construction in Santaluz started in 2001 and is now mostly built out other than a number of remaining vacant custom lots.

OVERVIEW OF CFD's

CFD No. 12

The north part of this CFD comprises the northwest part of the master-planned community of Del Sur. This north area includes two separate product types, the neighborhoods of Avaron and Gables Crossing. Avaron consists of a 59-home guard-gated neighborhood, and the portion of Gables Crossing that is included in this appraisal consists of 26 completed homes and 4 homes under construction within a gated neighborhood comprising a total of 58 lots.

Del Sur is a mixed-use master planned community that that will ultimately contain approximately 3,050 dwelling units ranging from affordable apartments to large custom estates. The community will include an elementary school, K through 8 school, high school, a 215,000 s.f. retail town center that will offer shops and restaurants, a 515,000 s.f. business/commercial park, and a 300-room hotel. Community amenities include a 5-acre neighborhood park and 13 private homeowner parks. Homes sales in Del Sur commenced in 2006 and the community is approximately one-third built-out at this time.

The south part of this CFD comprises the overall 218-home neighborhood of Verrazzano which includes the three different product types of homes called Cortiles, Patria and Palazzo. This overall neighborhood is located adjacent to the north and west of Santaluz but is not a part of the Santaluz community. Amenities of Verrazzano include a monument entry, three parks and small greenbelt areas.

CFD No. 13

This CFD comprises portions of the master-planned community called The Lakes Above Rancho Santa Fe. The taxable parcels included in this appraisal include 45 completed homes in the northwest and west parts of the community and 58 completed homes in the east part of the community, plus 5 homes under construction in the west part.

The Lakes Above Rancho Santa Fe is a guard-gated private luxury-oriented community that lies along the eastern edge of Rancho Santa Fe. Adjacent to the west is the private community called The Crosby, and residents of The Lakes are able to procure access to the private country club within The Crosby. The Lakes Above Rancho Santa Fe was purchased by Lennar Homes in 2006 and home construction to this point has been completed by them. New homes are planned by Lennar Homes and Van Daele Homes. A significant amenity of The Lakes is a large amount of open space that includes four small lakes with various creeks and some waterfalls between lakes.

GENERAL PROPERTY DATA

The pertinent factors of property data for each of the separate product types within the three CFD's are discussed under each product type. However, as a general item that applies to all of the product types, the highest and best use is concluded to be as improved for all completed homes, and as proposed for all of the homes that are currently under construction.

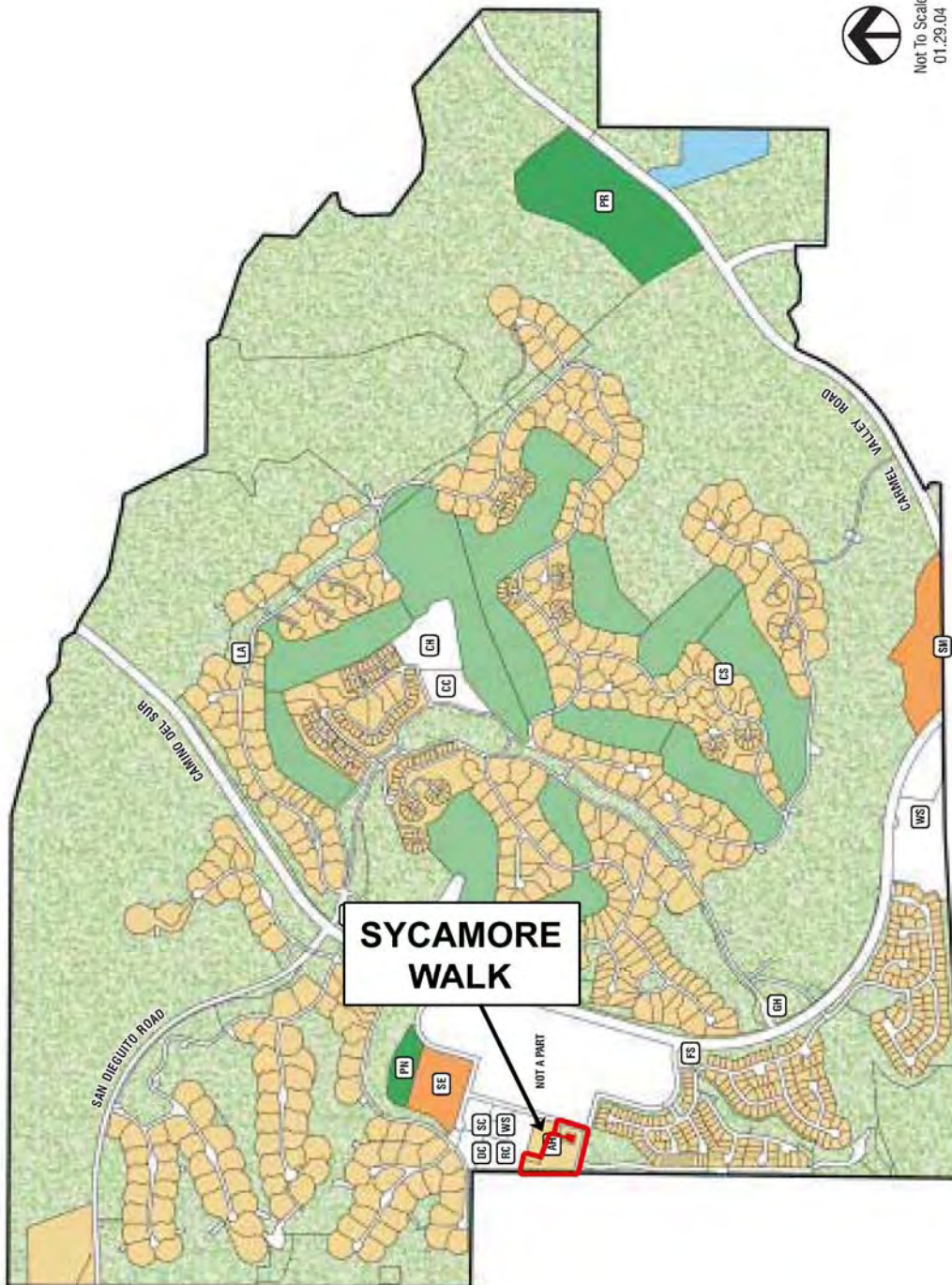
GENERAL VALUATION

As applicable to all of the product types, the analysis of the completed 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 closed and pending sales within each product type, as well as any current listings within that product type. Secondary consideration is given to recent resales in other neighborhoods within CFD Nos. 4, 12 and 13, and in several cases to neighborhoods outside of these CFD's.

For the homes under construction, a simplified Cost Approach is used in which the value is based on an estimate of approximate construction costs expended plus the estimated value of the vacant lot. The analysis of the vacant lots is based on the Sales Comparison Approach, considering recent sales of individual or bulk lots from within the subject area of the product types, as well as other nearby areas.

CFD NO. 4

MAP OF SYCAMORE WALK



SYCAMORE WALK

PROPERTY DATA

Location

This product type is located at the northwesterly corner of Camino De La Rosa and Via Fiesta, which is along the westerly edge of the Santaluz community, several blocks west of Camino Del Sur.

Record Owner/Ownership History

The land for this project was purchased by The Olson Company in December 2002, and they subsequently built and sold all 50 homes in 2003 and 2004. Thus, as of the March 15, 2013 date of value, all 50 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 50 lots comprising this product type are described as Units 1 to 17 & 38 to 70 of a portion of Lots 8 and 9 of Black Mountain Ranch Unit No. 10A, according to Map thereof No. 14497, filed on November 22, 2002 in the records of San Diego County, as depicted and described as Module "A" on the Condominium Plan; plus fractional fee interests in common areas.

Assessor Data

The 50 lots comprise Assessor Parcel Nos. 269-241-18-01 to 17, 269-241-20-01 to 18 and 269-241-21-01 to 15. The current assessed values range from \$284,000 to \$492,257 or an average of \$365,140. The tax rate area is 08-187 with an indicated tax rate of 1.02215%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.4% to 1.7% based on the average appraised value.

No. of Lots/Lot Sizes

There are a total of 50 lots for the attached townhomes, but with no specific lot sizes.

Streets and Access

The main entry to this neighborhood is off of Via Fiesta. The interior or in-tract streets are all private driveways, with all addresses being Via Fiesta.

Topography/Views

The overall neighborhood is fairly flat, but is elevated slightly above Camino De La Rosa and the land to the west. This results in territorial and open space views to the

PROPERTY DATA, Continuing

south and west for the living areas of the homes along the south and west sides of the neighborhood.

Description of Homes

These 50 lots have been developed with a product type of attached townhomes called Sycamore Walk. These homes are part of a larger 120-unit complex, including 70 condominium units of affordable housing that are not included in this appraisal. The 50 townhomes were built by The Olson Company in 2003 and 2004. Amenities of the project include a pool, spa, community room and greenbelt areas.

There are two floor plans of townhomes that are described as follows per builder information (Plans 1, 2 and 3 were for the condominium units):

Plan 4: 1,411 s.f., two-story over garage, with 3 bedrooms, 2½ baths, living room, dining room, family room, kitchen with island, patio at entry, balcony off master bedroom, and attached 2-car garage.

Plan 5: 1,828 s.f., two-story over garage, with 3 bedrooms, 2½ baths, study on garage level, great room, dining area, kitchen, patio at entry, balcony off master bedroom, and attached 2-car garage.

Per building permit data, the 50 homes range in size from 1,411 s.f. to 1,851 s.f. or an average size of 1,605 s.f.

VALUATION

Analysis of 50 Homes

Primary consideration is given to the most recent resales of the subject product type, which are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	14658 Via Fiesta #3	9/29/11	\$375,000	1,411	Standard sale; upgraded/good condition; view
2	14690 Via Fiesta #1	10/14/11	\$435,000	1,851	Standard sale; upgraded/good condition; no view
3	14668 Via Fiesta #3	12/14/11	\$345,000	1,411	Lender sale; average condition; no view
4	14670 Via Fiesta #2	3/29/12	\$375,000	1,411	Standard sale; good condition; view
5	14674 Via Fiesta #3	7/3/12	\$360,000	1,411	Short sale; good condition; view
6	14656 Via Fiesta #3	1/25/13	<u>\$370,000</u>	<u>1,411</u>	Short sale; some upgrades/good cond.; view
			±\$377,000	1,484	(Avg.)

VALUATION, Continuing

It is noted that the average home size of 1,484 s.f. for these 6 sales is much smaller than the average of 1,605 s.f. for all 50 homes, due to 5 of the 6 sales being the smaller floor plan. It is also noted that 3 of the 6 sales were lender or short sales which tends to result in conservative sale prices. Lastly, it is noted that 4 of the 6 sales took place about 1 to 1½ years ago, and there could be at least a minor upward time adjustment since that time. Thus, the indication at \$377,000 supports a far lower limit as an average for all 50 homes.

Considering only the 3 standard sales, the average of \$395,000 for an average size of 1,558 s.f. supports a closer but still firm lower limit as an average for all 50 homes, due to the smaller average home size and the dates of sale from September 2011 through March 2012.

Next, consideration is given to recent standard sales of townhomes from the Mandolin townhome complex in the nearby community of Del Sur located several miles to the north, and tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Year Built</u>	<u>Remarks</u>
1	8474 Christopher Ridge	10/3/12	\$475,000	1,821	2008	Std. sale; good cond.; well upgraded
2	8476 Christopher Ridge	11/21/12	\$463,000	1,643	2008	Std. sale; good cond.; upgraded
3	8454 Christopher Ridge	2/14/13	\$480,000	1,821	2009	Std. sale; good cond.; upgrades
4	8450 Christopher Ridge	Escrow	<u>\$505,000+</u>	<u>1,878</u>	2009	Std. sale; good cond.; some upgrades; end unit
			±\$481,000	1,791		(Avg.)

This is a fairly similar attached townhome product to the subject homes, however it is noted that the average home size of 1,791 s.f. is much larger than the average of 1,605 s.f. for the 50 subject homes. Thus, this indication at \$481,000 supports a far upper limit as an average for the subject homes.

Recent standard sales of townhomes from the Ravenna, Bridgeport and San Moritz townhome complexes located in the nearby community of 4S Ranch are as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Year Built</u>	<u>Remarks</u>
1	10537 Zenor #45	1/22/13	\$387,000	1,389	2005	Std. sale; good cond.; upgraded
2	16934 Laurel Hill #157	2/8/13	\$386,500	1,460	2006	Std. sale; good cond.; no upgrades
3	10440 Whitcomb #140	2/26/13	\$475,000	1,642	2005	Std. sale; good cond.; well upgraded
4	10441 Whitcomb #146	2/26/13	<u>\$412,500</u>	<u>1,428</u>	2006	Std. sale; good cond.; some upgrades
			\$415,000	1,480		(Avg.)

VALUATION, Continuing

These are also fairly similar attached townhome products to the subject homes, however it is noted that the average home size of 1,480 s.f. is somewhat smaller than the average of 1,605 s.f. for the 50 subject homes, but the location is slightly superior. Thus, this indication at \$415,000 supports a close indication as an average for the subject homes.

Lastly, consideration is given to recent standard sales of townhomes from the Bellarado and Cortina townhome complexes in the nearby Torrey Highlands area located several miles to the south, and tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Year Built</u>	<u>Remarks</u>
1	7890 Via Belfiore #2	8/2/12	\$349,000	1,432	2003	Std. sale; ±good cond.; few upgrades
2	13325 Via Sabbia #5	9/7/12	\$390,000	1,648	2005	Std. sale; good cond.; some upgrades
3	13330 Via Bellarado #4	3/5/13	<u>\$445,000</u>	<u>1,743</u>	2003	Std. sale; good cond.; some upgrades
			\$395,000	1,608		(Avg.)

These are also fairly similar attached townhome products to the subject homes, and the average home size of 1,608 s.f. is fairly similar to the average of 1,605 s.f. for the 50 subject homes. Thus, this indication at \$395,000 supports a fairly close indication as an average for the subject homes.

In summary, the indications of average value for the 50 townhomes support a far lower limit at \$377,000, a firm lower limit at \$395,000, close indications at \$395,000 and \$415,000, and a far upper limit at \$481,000. The conclusion is an average value of \$400,000 for the 50 townhomes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

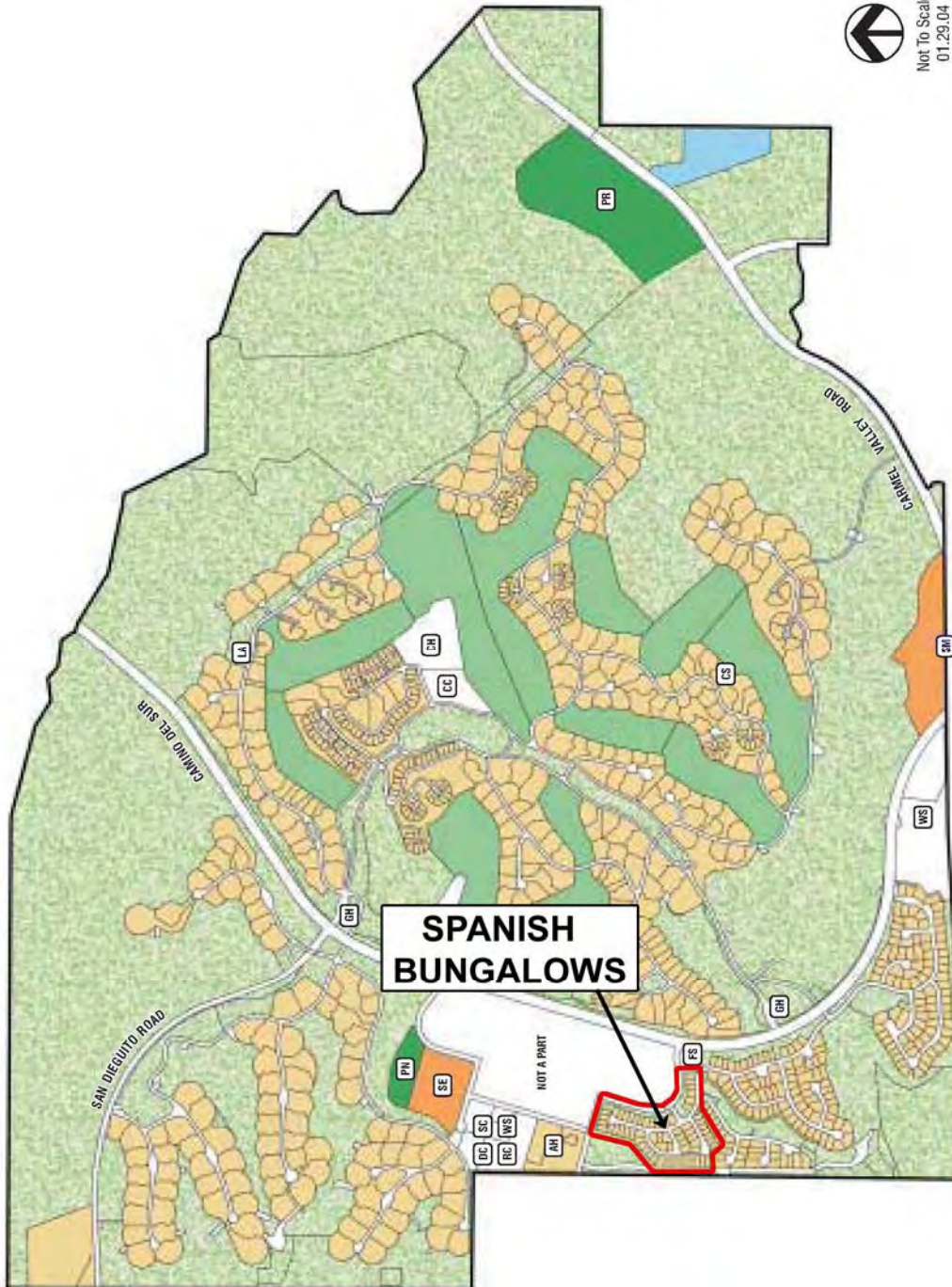
$$50 \text{ townhomes @ } \$400,000 = \$20,000,000$$

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 Sycamore Walk product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$20,000,000

(TWENTY MILLION DOLLARS)

MAP OF SPANISH BUNGALOWS



SPANISH BUNGALOWS

PROPERTY DATA

Location

This product type is located at the southwesterly corner of Lazanja Dr. and Camino De La Rosa, extending westerly to Camino De La Luna and southerly for several blocks. This is also along the westerly edge of the Santaluz community, nearby to the west of Camino Del Sur.

Record Owner/Ownership History

Christopher Homes built and sold all 64 homes from 2001 through 2003. Thus, as of the March 15, 2013 date of value, all 64 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 64 lots comprising this product type are described as Lots 1 to 64 of Black Mountain Ranch Unit No. 11, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 14096, recorded December 7, 2000.

Assessor Data

The 64 lots comprise Assessor Parcel Nos. 303-130-01 to 41 and 303-131-01 to 23. The current assessed values range from \$276,021 to \$1,240,000 or an average of \$799,661. The tax rate area is 08-187 with an indicated tax rate of 1.02215%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.4% to 1.6% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 64 lots, which range in size from 6,316 s.f. to 12,272 s.f., or an average of 7,926 s.f.

Streets and Access

The primary access into this neighborhood is from the South Gate into Santaluz on the east side of Camino Del Sur at Caminito Santaluz Sur, then to the Lazanja Pass underpass of Camino Del Sur to Caminito Lazanja, then northerly through the adjacent Davidson at Santaluz and Garden Homes neighborhoods to the subject neighborhood. The in-tract streets are private and include Delfina, Caminito Lazanja and Luna Media.

PROPERTY DATA, Continuing

Topography/Views

The overall neighborhood is fairly flat, with a gradual slope or terracing down to the south, but with minimal views to any of the lots.

Description of Homes

These 64 lots have been developed with a product type of detached homes called Spanish Bungalows. The homes were built by Christopher Homes in 2001 through 2003.

There are three floor plans of homes that are described as follows:

Plan 1: 2,727 to 2,958 s.f., single-story, with 3 bedrooms, 3 baths, great room, gourmet island kitchen, foyer, tandem 3-car garage, and portico with 2 courtyards; optional bedroom 4 with bath 4 or exercise room at tandem garage; optional office or den at bedroom 3.

Plan 2: 2,965 to 3,144 s.f., two-story, with 4 bedrooms, 4 baths, formal dining room, gourmet island kitchen, foyer, courtyard, and 2-car plus 1-car split garages; optional master bedroom retreat, office or exercise room; optional office or den at bedroom 4.

Plan 3: 3,508 s.f., two-story, with 4 bedrooms, 5 baths, great room, loft, gourmet island kitchen, foyer, courtyard, and tandem 3-car garage; optional bedroom at loft; optional office or den at bedroom 5.

Per building permit data, the 64 homes range in size from 2,921 s.f. to 3,508 s.f. or an average size of 3,183 s.f.

VALUATION

Analysis of 64 Homes

Primary consideration is given to the most recent resales of the subject product type, which 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	14656 Caminito Lazanja	4/20/12	\$825,000	2,921	7,591	Standard sale; upgraded/good condition
2	7550 Delfina	5/17/12	\$830,000	2,958	8,841	Standard sale; upgraded/good condition
3	7551 Delfina	6/27/12	\$750,000	3,508	6,430	Short sale; upgraded/avg. condition
4	14505 Caminito Lazanja	8/6/12	\$782,500	2,921	7,402	Standard sale; some upgrades/good cond.
5	7563 Delfina	8/13/12	\$812,000	3,314	6,425	Standard sale; some upgrades/good cond.
6	14566 Luna Media	8/29/12	\$845,000	2,921	11,296	Standard sale; upgraded/good condition
7	14554 Luna Media	1/30/13	<u>\$795,000</u>	<u>3,489</u>	7,952	Short sale; average condition
			±\$806,000	3,147		(Avg.)

It is noted that the average home size of 3,147 s.f. for these 7 sales is slightly smaller than the average of 3,183 s.f. for all 64 homes. It is also noted that 2 of the 7 sales were short sales which had fairly low sale prices relative to the home size, thus negatively impacting the average price of the 7 sales. Lastly, it is noted that several of the sales took place close to a year ago, and there could be at least a minor upward time adjustment since that time. Thus, the indication at \$806,000 supports a far lower limit as an average for all 64 homes.

Considering only the 5 standard sales, the average price is much higher at \$819,000, and for a much smaller average home size of 3,007 s.f., far smaller than the average of 3,183 s.f. for all 64 homes. Thus, this indication at \$819,000 supports a closer but still firm lower limit as an average for all 64 homes, due to the smaller average home size as well as the dates of several of the sales.

As discussed next, recent standard sales of the Garden Homes product type support a far upper limit at an average of \$893,000 due to the much larger average home size of 3,480 s.f. from those sales.

As discussed later in CFD No. 12, recent standard sales of the Patria product type indicate an average price of \$766,000 for an average home size of 3,180 s.f. While the average home size is similar to the subject homes, the indication at \$766,000 supports a firm lower limit due to the inferior location being outside of the gated Santaluz community. In addition, recent standard sales of the Palazzo product type support a firm upper limit at an average of \$837,000, due to the much larger average home size of those sales at 3,699 s.f. being more than offsetting to the inferior location outside of the Santaluz community.

In summary, the indications of average value for the subject homes support far lower limits at \$766,000 and \$806,000, a closer but still firm lower limit at \$819,000, a

VALUATION, Continuing

firm upper limit at \$837,000 and a far upper limit at \$893,000. The conclusion is an average value of \$820,000 for the 64 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

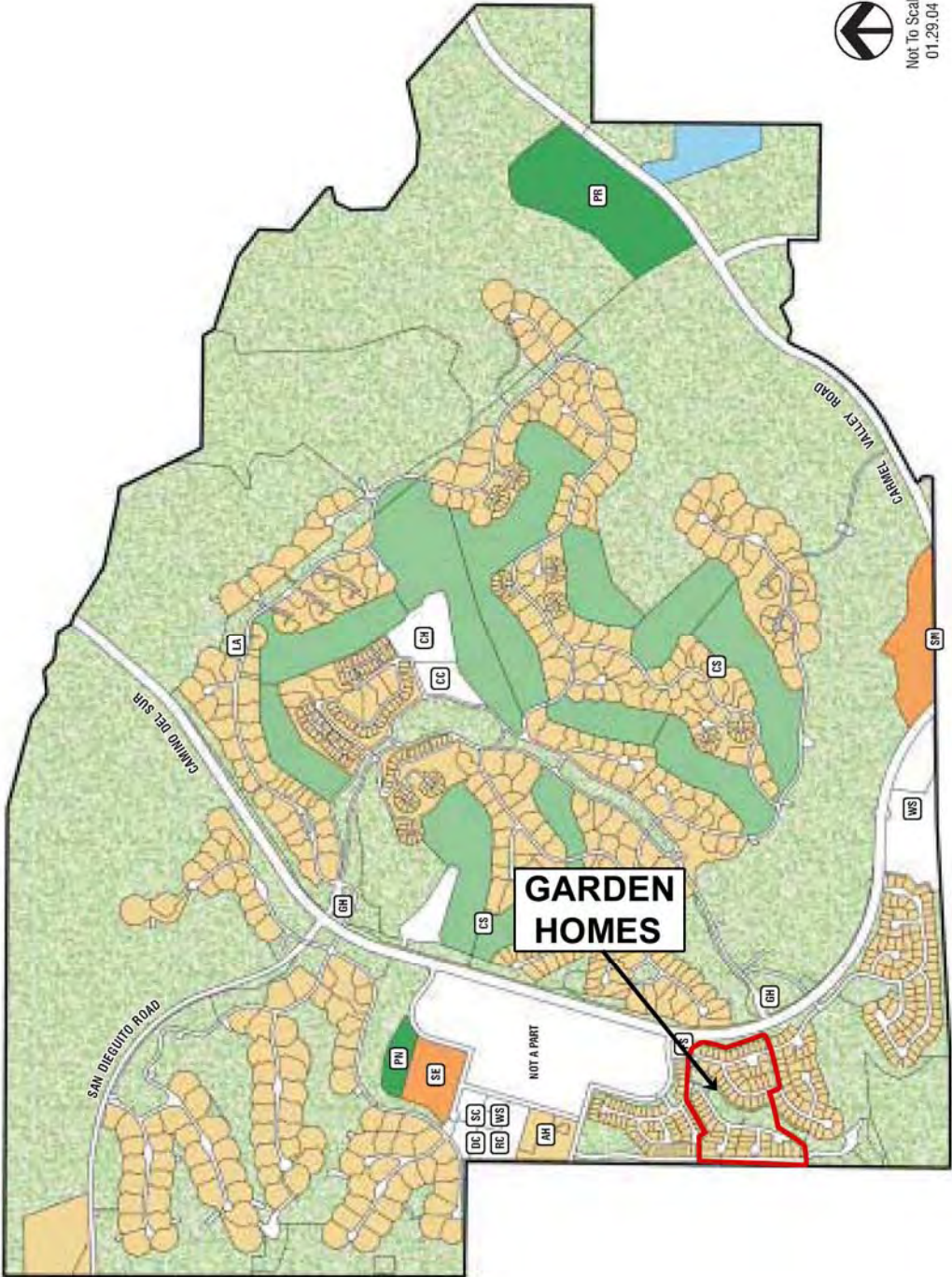
$$64 \text{ homes @ } \$820,000 = \$52,480,000$$

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 Spanish Bungalows product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$52,480,000

(FIFTY-TWO MILLION FOUR HUNDRED EIGHTY THOUSAND DOLLARS)

MAP OF GARDEN HOMES



GARDEN HOMES

PROPERTY DATA

Location

This product type is located along the westerly side of Camino Del Sur, several hundred feet south of Lazanja Dr. and extending east to Camino De La Luna. This is along the southwesterly edge of the Santaluz community.

Record Owner/Ownership History

D.R. Horton built and sold all 62 homes from 2002 through early 2004. Thus, as of the March 15, 2013 date of value, all 62 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 62 lots comprising this product type are described as Lots 1 to 17 and 19 to 61 of Black Mountain Ranch Unit No. 12, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 14097, recorded December 7, 2000; plus Parcels A and B of Parcel Map No. 18939, recorded April 11, 2002.

Assessor Data

The 62 lots comprise Assessor Parcel Nos. 303-140-01 to 17 & 19 to 37, 303-141-01 to 15 and 303-142-01 to 09, 15 & 16. The current assessed values range from \$650,000 to \$1,173,904 or an average of \$842,044. The tax rate area is 08-187 with an indicated tax rate of 1.02215%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.5% to 1.6% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 62 lots, which range in size from 7,237 s.f. to 18,496 s.f., or an average of 11,162 s.f.

Streets and Access

The primary access into this neighborhood is from the South Gate into Santaluz on the east side of Camino Del Sur at Caminito Santaluz Sur, then to the Lazanja Pass underpass of Camino Del Sur to Caminito Lazanja, then northerly through the adjacent Davidson at Santaluz neighborhood to the subject neighborhood. The in-tract streets are private and include Caminito Lazanja, Rock Rose, Garden Trail, Garden Court and Garden Terrace.

PROPERTY DATA, Continuing

Topography/Views

The overall neighborhood is fairly flat and with a gradual slope or terracing down to the south/southwest, but with minimal views to any of the lots.

Description of Homes

These 62 lots have been developed with a product type of detached homes called Garden Homes. The homes were built by D. R. Horton in 2002 through early 2004.

There are four floor plans of homes that are described as follows:

Plan 1: 3,347 s.f., single-story, with 3 bedrooms, den, 3 baths, 3-car tandem garage and central courtyard; optional bedroom 4/bath 4 in lieu of den.

Plan 2: 3,445 s.f., two-story, with 3 bedrooms, den, 3½ baths, 3-car tandem garage, porte cochere and courtyard; optional bedroom 4 and bath, optional bonus room.

Plan 3: 3,480 s.f., two-story, with 4 bedrooms, tech center, loft, 4½ baths, 2-car plus 1-car split garages, porte cochere and courtyard; optional bedroom 5.

Plan 4: 4,002 s.f., two-story, with 5 bedrooms, 4½ baths, and 3-car tandem garage; plus courtyard entry and large central courtyard; porte cochere; optional loft or office.

Per building permit data, the 62 homes range in size from 3,347 s.f. to 4,387 s.f. or an average size of 3,900 s.f.

VALUATION

Analysis of 62 Homes

Primary consideration is given to the most recent resales of the subject product type, which are shown in the following table:

<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	14444 Rock Rose	4/10/12	\$900,000	3,770	8,382	Standard sale; upgraded/good condition
2	14462 Garden Trail	6/13/12	\$879,000	3,347	14,322	Standard sale; upgraded/good condition
3	14388 Garden Trail	7/26/12	\$835,000	4,387	15,849	Short sale; upgrades/good cond., spa
4	14420 Rock Rose	10/25/12	<u>\$900,000</u>	<u>3,323</u>	10,703	Standard sale; upgraded/good cond., view
			\$878,500	3,707		(Avg.)

It is noted that the average home size of 3,707 s.f. for these 4 sales is significantly smaller than the average of 3,900 s.f. for all 62 homes. It is also noted that 1 of the 4

VALUATION, Continuing

sales was a short sale and at a significantly low price for the size of home, thus negatively impacting the average price of the 4 sales. Lastly, it is noted that one of the sales took place close to a year ago, and there could be at least a minor upward time adjustment since that time. Thus, the indication at \$878,500 supports a firm lower limit as an average for all 62 homes.

Considering only the 3 standard sales, the average price is somewhat higher at \$893,000, but for a much smaller average home size of 3,480 s.f., far smaller than the average of 3,900 s.f. for all 62 homes. Thus, this indication at \$893,000 supports a closer but still firm lower limit as an average for all 62 homes, due to the smaller average home size as well as the dates of several of the sales.

It is also noted that there are two current listings in the subject product type that are discussed as follows:

14418 Caminito Lazanja: 3,770 s.f. home on a 7,468 s.f. lot listed for \$900,000 as a standard sale; the home is in upgraded/good condition and has a view.

7513 Garden Terrace: 4,387 s.f. home on an 8,152 s.f. lot listed for \$1,189,000 as a standard sale; the home is in upgraded/good condition and has a view.

The first listing at 3,770 s.f. is smaller than the average size of 3,900 s.f. for all 62 homes, thus the price of \$900,000 would tend to support a lower limit as an average for all homes, though only representing an asking price. In contrast, the second listing at 4,387 s.f. is far larger than the average size, and the price of \$1,189,000 would tend to support a far upper limit as an average for all homes.

As previously discussed, recent standard sales of the Spanish Bungalows product type support a far lower limit at an average of \$819,000 due to the substantially smaller average home size of 3,007 s.f. from those sales. As discussed next, the recent standard sales of the Davidson at Santaluz product type support a far upper limit at an average of \$1,085,000 due to the much larger average size of 4,400 s.f. from those sales.

As discussed later in CFD No. 12, recent standard sales of the Palazzo product type indicate an average price of \$837,000 for an average size of 3,699 s.f. This supports a far lower limit for the subject homes due to the much smaller average size as well as the inferior location being outside of the gated Santaluz community.

In summary, the indications of average value for the subject homes support far lower limits at \$819,000 and \$837,000, a firm lower limit at \$878,500, a closer but still firm lower limit at \$893,000, and a far upper limit at \$1,085,000. The conclusion is an average value of \$900,000 for the 62 homes.

VALUATION, Continuing

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

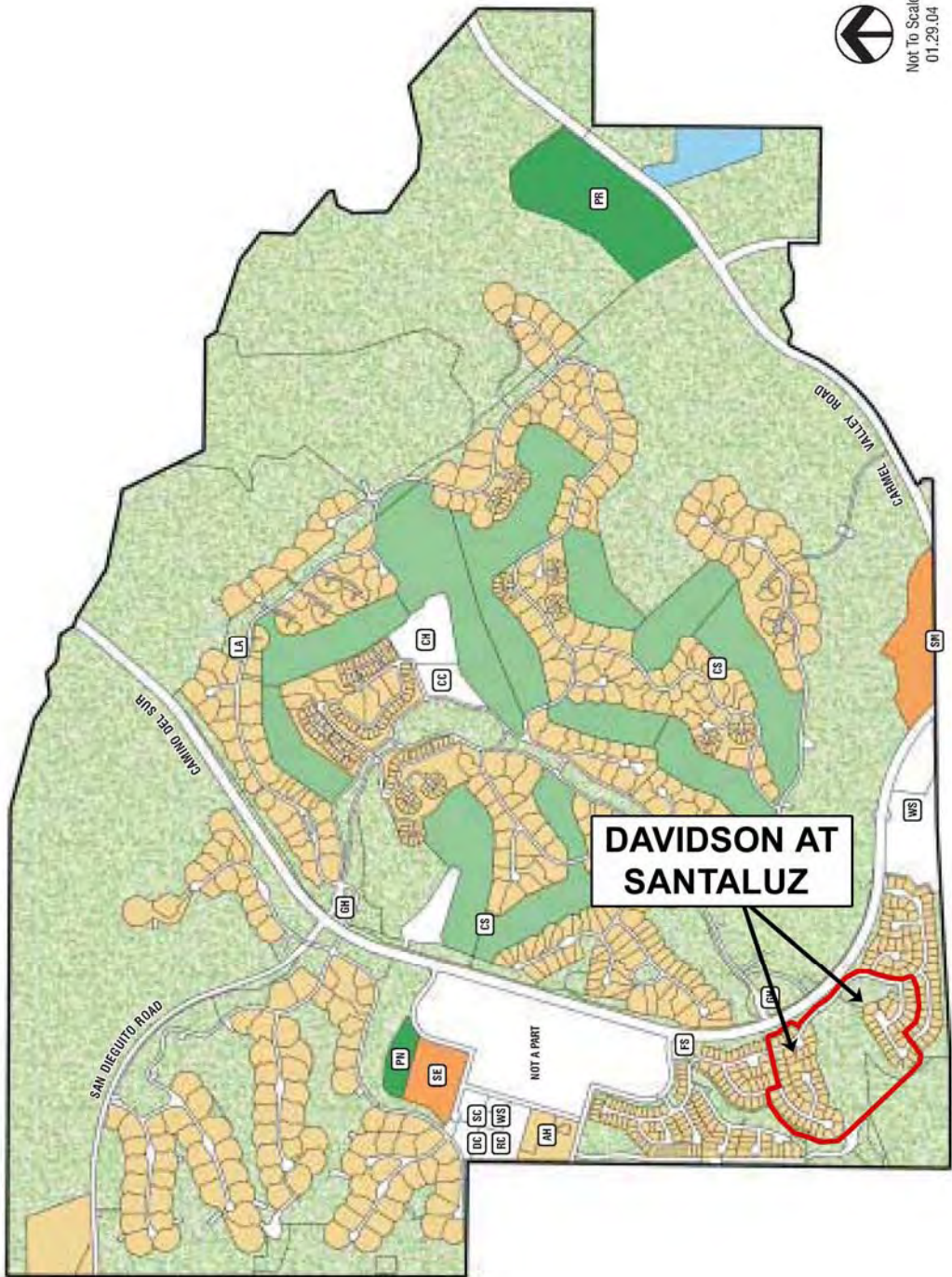
62 homes @ \$900,000 = \$55,800,000

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 Garden Homes product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$55,800,000

(FIFTY-FIVE MILLION EIGHT HUNDRED THOUSAND DOLLARS)

MAP OF DAVIDSON AT SANTALUZ



DAVIDSON AT SANTALUZ

PROPERTY DATA

Location

This product type is located along the westerly side of Camino Del Sur at Caminito Lazanja, and with a separate area across an open space nearby to the south which is on the west side of Caminito Lazanja at Caminito Camelia. This is at the southwesterly edge of the Santaluz community.

Record Owner/Ownership History

Davidson Communities built and sold all 71 homes from 2003 through 2005. Thus, as of the March 15, 2013 date of value, all 71 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 71 lots comprising this product type are described as Lots 1 to 49 & 52 to 71 of Black Mountain Ranch Unit No. 13, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 14231, recorded June 21, 2001; plus Parcels 1 and 2 of Parcel Map No. 19474, recorded April 27, 2004.

Assessor Data

The 71 lots comprise Assessor Parcel Nos. 303-150-01 to 24, 303-151-01 to 25, 28 to 47, 50 & 54. The current assessed values range from \$696,140 to \$1,315,800 or an average of \$968,305. The tax rate area is 08-187 with an indicated tax rate of 1.02215%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.4% to 1.6% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 71 lots, which range in size from 8,148 s.f. to 22,797 s.f., or an average of 12,000 s.f.

Streets and Access

The primary access into this neighborhood is from the South Gate into Santaluz on the east side of Camino Del Sur at Caminito Santaluz Sur, then to the Lazanja Pass underpass of Camino Del Sur to Caminito Lazanja, then northerly and southerly to both parts of the subject neighborhood. The in-tract streets are private and include Caminito Lazanja, Entrada Lazanja, Purple Sage, Caminito Camelia, Vista Lazanja and Briza Placida.

PROPERTY DATA, Continuing

Topography/Views

The overall neighborhood is fairly flat and with a gradual slope or terracing down to the south/southwest, and some homes have minor territorial views to the south and west.

Description of Homes

These 71 lots have been developed with a product type of detached homes called Davidson at Santaluz. The homes were built by Davidson Communities in 2003 through 2005.

There are three floor plans of homes that are described as follows:

Plan 1: 3,802 s.f., two-story, with 4 bedrooms, library, 3½ baths, master suite downstairs, interior courtyard, loggia off kitchen nook, and 2-car and 1-car split garages.

Plan 2: 4,000 s.f., two-story, with 4 bedrooms plus bonus room downstairs or optional bedroom 5, 3½ baths, interior courtyard off formal dining room, driveway courtyard, and 3-car tandem garage.

Plan 3: 4,731 s.f., two-story, with 4 bedrooms plus separate casita suite, 4½ baths, crafts room off kitchen, interior courtyard, motor court, and split 4-car garage.

Per building permit data, the 71 homes range in size from 3,802 s.f. to 4,755 s.f. or an average size of 4,182 s.f.

VALUATION

Analysis of 71 Homes

Primary consideration is given to the most recent resales of the subject product type, which 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	7845 Caminito Camelia	2/22/12	\$1,065,000	4,731	11,021	Short sale; upgraded/good cond.; pool/spa
2	14394 Caminito Lazanja	6/21/12	\$1,160,500	4,733	14,624	Std. sale; well-upgraded/good cond.; pool/spa
3	7948 Entrada Lazanja	7/2/12	\$1,165,000	3,802	10,449	Std. sale; upgraded/good cond.; pool/spa
4	7983 Entrada Lazanja	7/30/12	\$975,000	4,000	8,184	Std. sale; upgrades/good cond.; pool/spa
5	7960 Entrada Lazanja	8/20/12	\$1,161,000	4,733	11,172	Std. sale; well-upgraded/good cond.
6	7977 Purple Sage	8/21/12	\$965,000	4,731	11,828	Std. sale; upgraded/good cond.
7	7844 Caminito Camelia	2/19/13	\$925,000	3,802	9,980	Short sale; upgraded/good cond.; pool/spa; view
8	7812 Vista Lazanja	Pending	<u>\$1,195,000</u>	<u>4,000</u>	11,516	Short sale
			±\$1,076,000	4,317		(Avg.)

It is noted that the average home size of 4,317 s.f. for these 8 sales is larger than the average of 4,182 s.f. for all 71 homes. It is also noted that 3 of the 8 sales were short sales, and while only 2 of the 3 short sales appear to be at significantly low prices relative to the home size, there is still the negative impact on the average price of the 8 sales. Lastly, it is noted that several of the sales are relatively dated, and there could be at least a minor upward time adjustment to those sales. Thus, the larger average home size is offset by the short sale impact and date of sale of several of the homes, resulting in a fairly close indication at \$1,076,000 as an average for all 71 homes.

Considering only the 5 standard sales, the average price is only slightly higher at \$1,085,000, but for a slightly larger average home size of 4,400 s.f., again larger than the average of 4,182 s.f. for all 71 homes. Thus, this indication at \$1,085,000 supports a close but firm upper limit as an average for all 71 homes, due to the larger average home size though considering also the dates of sale.

It is also noted that there are two current listings in the subject product type that are discussed as follows:

7976 Purple Sage: 4,000 s.f. home on an 11,181 s.f. lot listed for \$1,295,000 as a standard sale; the home is in upgraded/good condition.

14385 Caminito Lazanja: 3,802 s.f. home on a 9,364 s.f. lot listed for \$1,325,000 as a standard sale; the home is in upgraded/good condition and includes a spa.

Both listings are of smaller homes than the average size of 4,182 s.f. for all 71 homes, but it is evident that the asking prices are significantly higher than actual sale

VALUATION, Continuing

prices have been. Thus, the listings are of general interest and suggest an upward movement in prices, but are considered to support far upper limits as an average price for the 71 homes.

As previously discussed, recent standard sales of the Garden Homes product type support a far lower limit at an average of \$893,000 due to the substantially smaller average home size of 3,480 s.f. from those sales. As discussed next, the recent standard sales of the Belsera product type support a far upper limit at an average of \$1,198,000 due to the much larger average size of 4,510 s.f. from those sales.

As discussed later in CFD No. 12, recent standard sales of the Avaron product type indicate an average price of \$1,197,500 for an average size of 4,207 s.f., or fairly similar to the average size of the subject homes. The average price supports a far upper limit for the subject homes due to the superior quality/desirability of the Avaron product type as well as the location in a guard-gated neighborhood with more direct access.

In summary, the indications of average value for the subject homes support a far lower limit at \$893,000, a close indication at \$1,076,000, a close but firm upper limit at \$1,085,000, and far upper limits at \$1,197,500 and \$1,198,000. The conclusion is an average value of \$1,080,000 for the 71 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

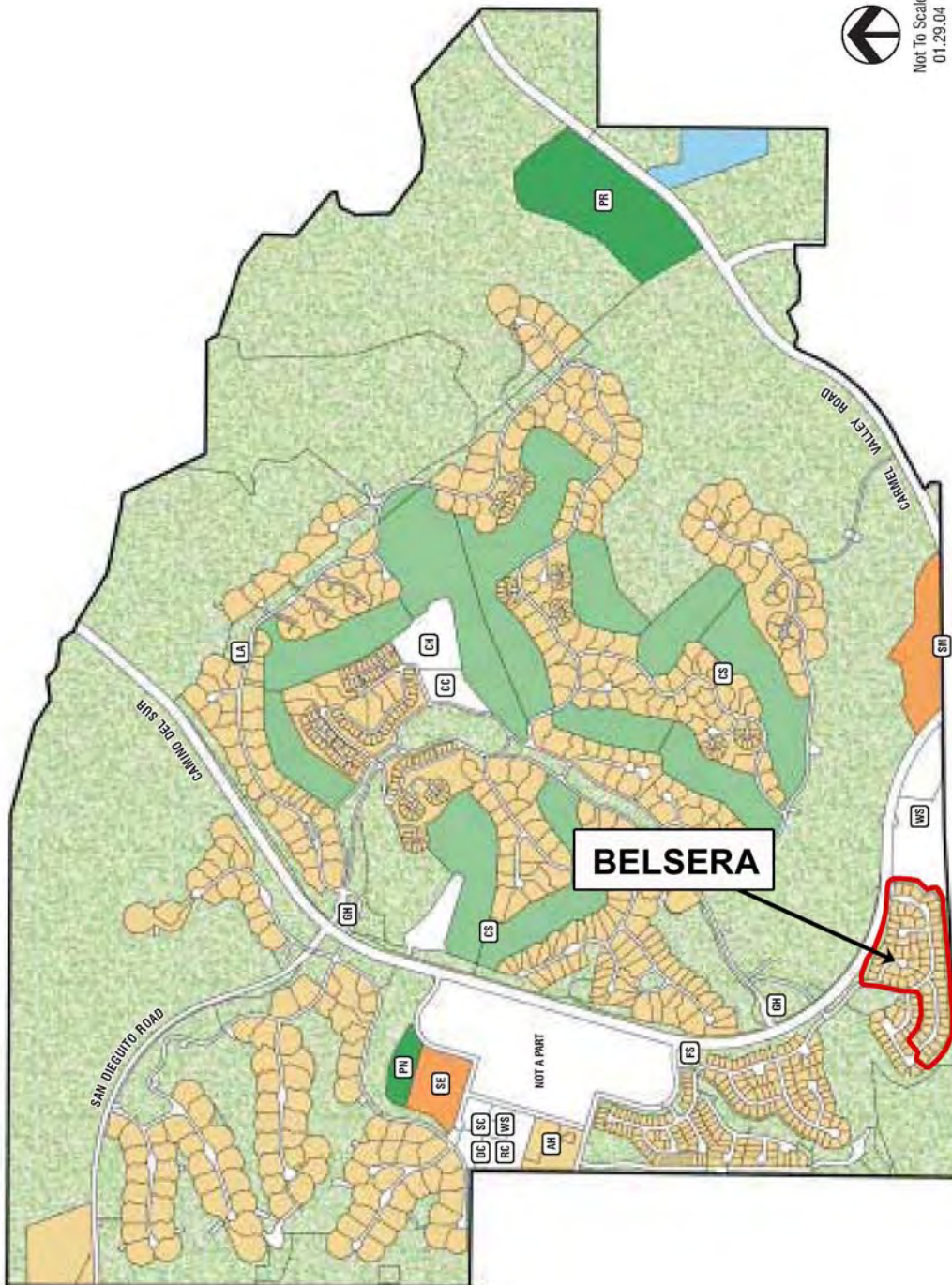
$$71 \text{ homes @ } \$1,080,000 = \$76,680,000$$

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 Davidson at Santaluz product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$76,680,000

(SEVENTY-SIX MILLION SIX HUNDRED EIGHTY THOUSAND DOLLARS)

MAP OF BELSERA



Not To Scale
01.29.04

BELSERA

PROPERTY DATA

Location

This product type is located along the southerly side of Camino Del Sur at the southerly end of Caminito Lazanja, and extending to the west. This is at the south/southwest edge of the Santaluz community.

Record Owner/Ownership History

Warmington Homes built and sold all 65 homes from 2004 through 2006. Thus, as of the March 15, 2013 date of value, all 65 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 65 lots comprising this product type are described as Lots 1 to 65 of Amended Map of Black Mountain Ranch Unit No. 14, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 14863, recorded August 24, 2004.

Assessor Data

The 65 lots comprise Assessor Parcel Nos. 303-160-01, 02, 05 to 11, 14, 16 to 18, 21, 22, 25 to 38, 41 to 46, 52 to 57, 59 to 62 & 65 and 303-161-03, 04 & 09 to 25. The current assessed values range from \$621,980 to \$1,356,600 or an average of \$998,977. The tax rate area is 08-187 with an indicated tax rate of 1.02215%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.4% to 1.6% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 65 lots, which range in size from 9,676 s.f. to 20,301 s.f., or an average of 12,682 s.f.

Streets and Access

The primary access into this neighborhood is from the South Gate into Santaluz on the east side of Camino Del Sur at Caminito Santaluz Sur, then to the Lazanja Pass underpass of Camino Del Sur to Caminito Lazanja, then southerly to the subject neighborhood. The in-tract streets are private and include Caminito Lazanja, Briza Placida, Tierra Tesoro and Salida Del Sol.

PROPERTY DATA, Continuing

Topography/Views

The overall neighborhood is elevated slightly above Camino Del Sur and with a gradual slope or terracing up to the east. The result is that some homes have a general view across Camino Del Sur to the north toward the golf course, and some homes have minor territorial views to the south and west.

Description of Homes

These 65 lots have been developed with a product type of detached homes called Belsera. The homes were built by Warmington Homes in 2004 through 2006.

There are three floor plans of homes that are described as follows:

Plan 1: 3,851 s.f., single story, with 3 bedrooms, 3½ baths, central courtyard, covered loggia off the family room, courtyard between garages, and 1-car and 2-car tandem split garages; optional office and flex room.

Plan 2: 4,260 s.f., two-story, with 4 bedrooms, 4½ baths, central loggia, courtyard, and 3-car tandem garage; optional porte cochere and optional loggia 2 in lieu of tandem garage.

Plan 3: 4,735 s.f., two-story, with 5 bedrooms, library, 5½ baths, central courtyard and loggia, two decks off master bedroom, and 4-car tandem garage.

Per building permit data, the 65 homes range in size from 3,851 s.f. to 4,753 s.f. or an average size of 4,320 s.f.

VALUATION

Analysis of 65 Homes

Primary consideration is given to the most recent resales of the subject product type, which 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	7766 Tierra Tesoro	1/6/12	\$995,000	4,753	17,702	Short sale; some upgrades/good cond.
2	14216 Caminito Lazanja	4/3/12	\$1,301,000	4,735	17,210	Std. sale; upgraded/good cond.
3	7706 Briza Placida	4/17/12	\$1,155,000	4,745	11,240	Std. sale; upgrades/good cond.
4	7724 Briza Placida	6/8/12	\$1,200,000	4,735	11,667	Std. sale; upgraded/good cond.
5	7705 Briza Placida	7/26/12	\$1,225,000	3,851	14,064	Std. sale; upgraded/good cond.; view
6	14271 Caminito Lazanja	8/28/12	\$1,105,500	4,256	11,669	Std. sale; upgraded/good cond.
7	14320 Salida Del Sol	9/11/12	\$800,000	3,851	11,964	Short sale; upgraded/good cond.; pool/spa; view
8	14209 Caminito Lazanja	10/18/12	\$1,200,000	4,735	11,626	Std. sale; upgraded/good cond.
9	7786 Tierra Tesoro	Pending	<u>\$775,000</u>	<u>3,860</u>	15,296	Short sale; average cond.; requires lien payoff of ±\$25,000 out of escrow
			±\$1,084,000	4,391		(Avg.)

It is noted that the average home size of 4,391 s.f. for these 9 sales is slightly larger than the average of 4,320 s.f. for all 65 homes. It is also noted that 3 of the 9 sales were short sales, all of which appear to be at significantly lower prices than the standard sales relative to the home sizes, which has a significant negative impact on the average price of the 9 sales. Lastly, it is noted that three of the sales took place close to or over a year ago, and there could be at least a minor upward time adjustment to those sales. Thus, the slightly larger average home size is well more than offset by the short sale impact and date of sale of several of the homes, resulting in a firm lower limit at \$1,084,000 as an average for all 65 homes.

Considering only the 6 standard sales, the average price is significantly higher at \$1,198,000, but for a larger average home size of 4,510 s.f., which is much larger than the average of 4,320 s.f. for all 65 homes. Thus, this indication at \$1,198,000 supports a close but firm upper limit as an average for all 65 homes, due to the larger average home size though partially offset by the dates of sale.

As previously discussed, recent standard sales of the Davidson at Santaluz product type support a close but firm lower limit at an average of \$1,085,000, reflecting a similar average home size of 4,400 s.f. from those sales but a slightly less desirable product type.

As discussed later in CFD No. 12, recent standard sales of the Avaron product type indicate an average price of \$1,197,500 for an average size of 4,207 s.f., which is smaller than the average size of 4,320 s.f. for the subject homes. However, the Avaron product type is superior in quality/desirability and on larger lots, as well as

VALUATION, Continuing

the location in a guard-gated neighborhood with more direct access. Thus, the indication at an average of \$1,197,500 supports a close but firm upper limit for the subject homes.

In summary, the indications of average value for the subject homes support firm lower limits at \$1,084,000 and \$1,085,000, and firm upper limits at \$1,197,500 and \$1,198,000. The conclusion is an average value of \$1,150,000 for the 65 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

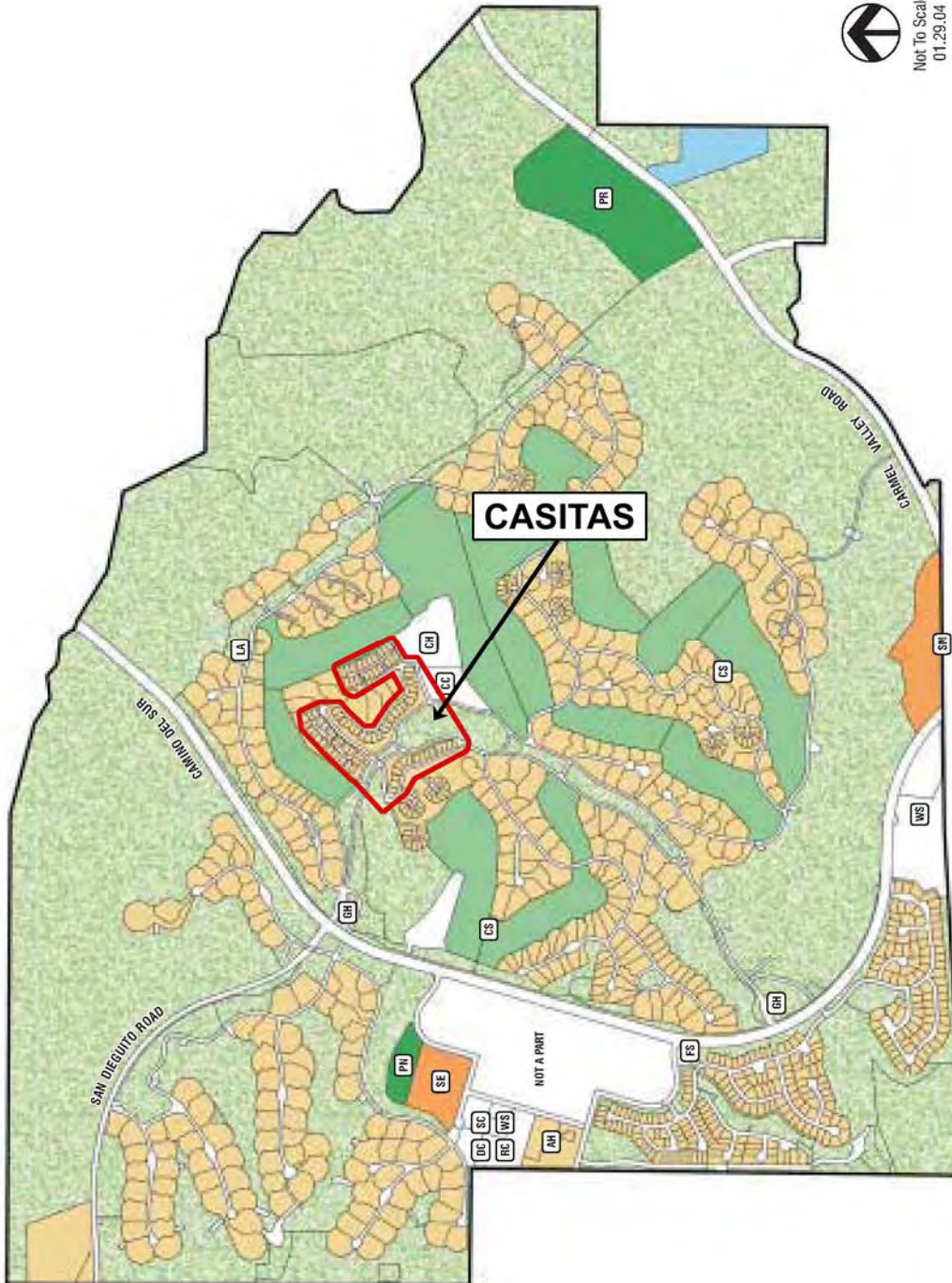
$$65 \text{ homes @ } \$1,150,000 = \$74,750,000$$

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 Belsera product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$74,750,000

(SEVENTY-FOUR MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF CASITAS



CASITAS

PROPERTY DATA

Location

This product type is located at Caminito Santaluz Norte and Santaluz Village Green East and at Caminito Santaluz West and Santaluz Village Green South. This location is several blocks easterly of Camino Del Sur at the North Gate to the Santaluz community, in the north central part of the community, and wrapping around the northerly side of the Village Green.

Record Owner/Ownership History

Taylor Woodrow Homes built and sold all 80 homes from 2001 through 2003. Thus, as of the March 15, 2013 date of value, all 80 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 80 lots comprising this product type are described as Lots 67, 68, 70, 71, 74 to 76, 83 to 85, 87, 89, 101 to 104, 111, 127, 135 to 138, 143, 145, 147, 149, 151 to 154, 157 to 159 & 162 of Black Mountain Ranch Unit No. 1, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 14064, recorded November 2, 2000; Parcels 1 to 5, 7 to 10, 13 & 15 of Parcel Map No. 18892; Parcels 1 to 14 of Parcel Map No. 19011; Parcels 1 to 15 of Parcel Map No. 19047; Parcels 1 to 5 of Parcel Map No. 19049; and Parcel 1 of Parcel Map No. 19734.

Assessor Data

The 80 lots comprise Assessor Parcel Nos. 269-220-01, 02, 04, 05, 08 to 11, 17 to 19, 21, 23, 35, 37, 39, 56 to 58, 60 to 65 & 69 to 75; 269-221-03 to 06, 13, 29, 37 to 40, 57, 58, 60 to 65, 67 to 81 & 88; and 269-222-01, 03 to 06, 09 to 11, 14, 46 to 50. The current assessed values range from \$437,668 to \$953,699 or an average of \$777,263. The tax rate area is 08-050 with an indicated tax rate of 1.04565%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.3% to 1.5% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 80 lots, which range in size from 5,798 s.f. to 8,439 s.f., or an average of 6,993 s.f.

PROPERTY DATA, Continuing

Streets and Access

The primary access into this neighborhood is from the North Gate into Santaluz on the east side of Camino Del Sur at Caminito Santaluz, then easterly for ¼ mile to the subject neighborhood. The in-tract streets are private and include Santaluz Village Green Norte, Santaluz Village Green East and Santaluz Village Green South.

Topography/Views

The separate neighborhood areas are fairly flat but are on elevated knolls that are slightly above Caminito Santaluz and above the golf course, resulting in territorial, greenbelt and/or golf course views to many of the homes.

Description of Homes

These 80 lots have been developed with a product type of detached homes called Casitas. The homes were built by Taylor Woodrow Homes in 2001 through 2003. It is noted that 21 (26%) of the lots have golf course frontage, and some of the other lots back to or view toward the Village Green and the recreational facilities.

There are three floor plans of homes that are described as follows:

Plan 1: 2,180 s.f., single story, with 3 bedrooms, 3 baths, great room, formal dining room, internal courtyard, and a 2-car garage.

Plan 2: 2,242 to 2,251 s.f., single story, with 3 bedrooms, 3 baths, great room, formal dining room, large island kitchen, side courtyard off the breakfast room, and a 2-car garage.

Plan 3: 2,327 to 2,340 s.f., single story, with 3 bedrooms, 3 baths, great room, formal dining room, internal courtyard and courtyard between garages, and 1-car and 2-car split garages; optional cabana or studio in lieu of 1-car garage.

Per building permit data, the 80 homes range in size from 2,180 s.f. to 2,344 s.f. or an average size of 2,258 s.f.

VALUATION

Analysis of 80 Homes

Primary consideration is given to the most recent resales of the subject product type, which 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	8335 Santaluz Village Grn.	5/2/12	\$760,000	2,327	7,401	Standard sale; some upgrades/ good cond.; on golf course
2	8226 Santaluz Village Grn.	5/17/12	\$840,000	2,180	7,872	Standard sale; upgraded/good condition; view
3	8150 Santaluz Village Grn.	5/31/12	\$725,000	2,344	6,938	Short sale; upgraded/good cond.
4	8164 Santaluz Village Grn.	6/6/12	\$890,000	2,344	7,401	Standard sale; upgraded/good condition; on golf course
5	8279 Santaluz Village Grn.	6/7/12	\$825,000	2,248	7,037	Std. sale; upgraded/good cond.;
6	8329 Santaluz Village Grn.	7/19/12	\$897,000	2,248	6,922	Standard sale; on golf course
7	8377 Santaluz Village Grn.	11/20/12	\$950,000	2,248	6,408	Standard sale; upgraded/good condition; on golf course
8	8230 Santaluz Village Grn.	12/7/12	\$730,000	2,327	8,439	Short sale; average condition
9	8349 Santaluz Village Grn.	12/31/12	\$1,175,000	2,327	7,333	Standard sale; on golf course
10	8238 Santaluz Village Grn.	1/30/13	\$950,000	2,248	6,919	Standard sale
11	8251 Santaluz Village Grn.	3/8/13	\$890,000	2,180	6,819	Std. sale; upgraded/good cond.
12	8339 Santaluz Village Grn.	Pending	±\$989,000	2,327	6,843	Std. sale; upgraded/good cond.
13	8331 Santaluz Village Grn.	Pending	<u>±\$925,000</u>	<u>2,180</u>	6,345	Std. sale; upgrades/good cond.
			±\$888,000	2,271		(Avg.)

It is noted that the average home size of 2,271 s.f. for these 13 sales is only slightly larger than the average of 2,258 s.f. for all 80 homes. It is also noted that only 2 of the 13 sales were short sales, though both of which are at significantly lower prices than the standard sales relative to the home sizes, which has a negative impact on the average price of the 13 sales. As a partially offsetting factor, a greater percentage or 38% of these sales have golf course frontage in contrast to 26% for all 80 homes. Lastly, it is noted that a number of the sales took place close to a year ago, and there could be at least a minor upward time adjustment to those sales. Overall, the indication at \$888,000 supports a close lower limit indication as an average for all 80 homes.

Considering only the 11 standard sales, the average price is slightly higher at \$917,000, but for a slightly smaller average home size of 2,253 s.f., which is similar to the average of 2,258 s.f. for all 80 homes. However, 45% of these 11 homes have golf course frontage in contrast to 26% for all 80 homes, though this is partially offset by the dates of sale. Overall, this indication at \$917,000 supports a close but firm upper limit as an average for all 80 homes.

VALUATION, Continuing

As previously discussed, the recent standard sales of the Garden Homes product type indicated an average price of \$893,000 for an average size of 3,480 s.f. While this average home size is much larger than the average of 2,258 s.f. for the subject homes, and the lots are larger, the larger home and lot size is offset by the inferior desirability of the Garden Homes product type as well as the far inferior location in Santaluz that has no golf course frontage and inferior views. Thus, the indication at \$893,000 supports a close indication to close lower limit as an average for the subject homes.

As discussed next, recent standard sales of the Sentinels product type indicate an average price of \$1,192,500 for an average size of 2,858 s.f. This is a much larger average home size than the average of the subject homes, the lot sizes are similar, and 50% of these sales have golf course frontage in contrast to 26% of the subject homes. In addition, the views of the Sentinels homes are far superior to the views of the subject homes. Thus, the indication at \$1,192,500 supports a far upper limit as an average for the subject homes.

In summary, the indications of average value for the subject homes support a close lower limit at \$888,000, a close indication to close lower limit at \$893,000, a close but firm upper limit at \$917,000, and a far upper limit at \$1,192,500. The conclusion is an average value of \$900,000 for the 80 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

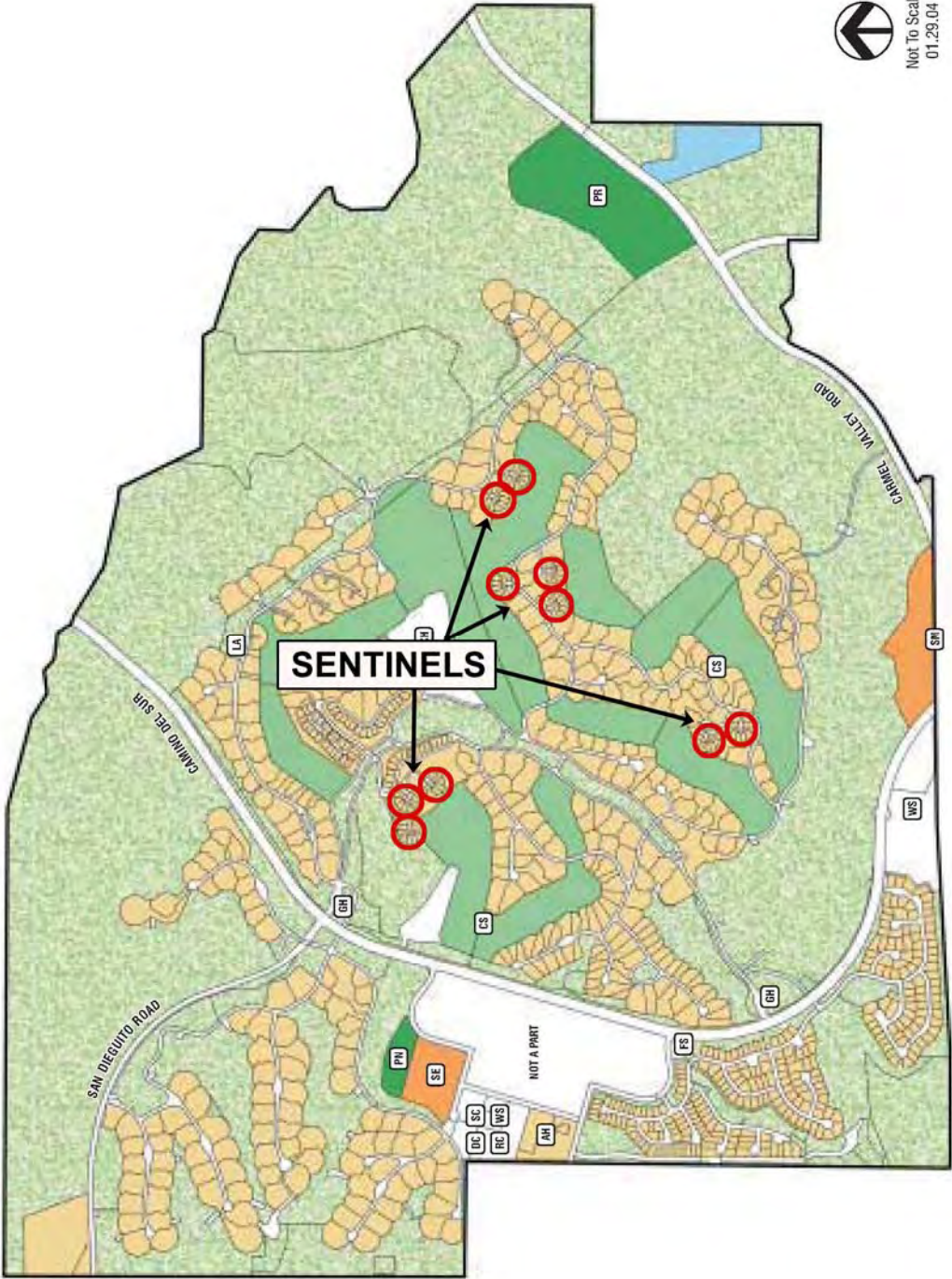
$$80 \text{ homes @ } \$900,000 = \$72,000,000$$

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 Casitas product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$72,000,000

(SEVENTY-TWO MILLION DOLLARS)

MAP OF SENTINELS



SENTINELS

PROPERTY DATA

Location

This product type comprises 10 separate circular enclaves of 8 homes each that are located throughout the central part of the Santaluz community as shown on the map on the previous page.

Record Owner/Ownership History

Baywood Homes built and sold all 80 homes from 2001 through 2004. Thus, as of the March 15, 2013 date of value, all 80 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 80 lots comprising this product type are described as Lots 163 to 186 of Black Mountain Ranch Unit No. 1, according to Map thereof No. 14064, recorded November 2, 2000; Lots 19 to 34 of Black Mountain Ranch Unit No. 3, according to Map thereof No. 14223, recorded June 7, 2001; and Lots 7 to 14, 44 to 59, 93 to 100 & 106 to 113 of Black Mountain Ranch Unit No. 4, according to Map thereof No. 14276, recorded September 21, 2001; all in the City of San Diego, County of San Diego, State of California.

Assessor Data

The 80 lots comprise Assessor Parcel Nos. 269-222-15 to 38; 303-171-10 to 17; 303-172-01 to 08; 303-181-03 to 18 & 24 to 31; and 303-183-14 to 29. The current assessed values range from \$416,723 to \$1,240,000 or an average of \$875,248. The tax rate areas are 08-050, 08-187 and 08-189 with indicated tax rates of 1.02215% and 1.04565%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.2% to 1.4% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 80 lots, which range in size from 6,478 s.f. to 7,216 s.f., or an average of 6,841 s.f.

Streets and Access

The primary access to the various enclaves comprising this neighborhood is from the North Gate into Santaluz on the east side of Camino Del Sur at Caminito Santaluz; then by Santaluz Village Green South to the northwesterly three enclaves; by

PROPERTY DATA, Continuing

Entrada De Luz East and Run of the Knolls to the easterly five enclaves; and by Sendero Angelica off of Entrada De Luz East to the southerly two enclaves.

Topography/Views

The separate enclaves comprising this overall neighborhood are fairly flat circular areas that are hilltop or knoll areas which are elevated above the surrounding open space and golf course areas. This results in territorial, open space or golf course views to most of the homes, with good views to those at the easterly side.

Description of Homes

These 80 lots have been developed with a product type of detached homes called Sentinels. The homes were built by Baywood Homes in 2001 through 2004. It is noted that 45 (56%) of the homes have golf course frontage and 12 (15%) homes have partial frontage on or good views of the golf course.

There are three floor plans of homes that are described as follows:

Plan 1: 2,175 to 2,545 s.f., single story plus optional carriage house above garage, with 2 to 4 bedrooms, 2½ to 3½ baths, and an oversized 2-car garage.

Plan 2: 2,370 to 2,900 s.f., two-story with optional three-story tower, with 2 to 4 bedrooms and optional tower retreat, 2½ to 4½ baths, and a 3-car tandem garage.

Plan 3: 2,885 s.f., two-story, with 2 to 4 bedrooms, 2½ to 3½ baths, supersized great room, and a 3-car tandem garage.

Per building permit data, the 80 homes range in size from 2,179 s.f. to 2,888 s.f. or an average size of 2,746 s.f.

VALUATION

Analysis of 80 Homes

Primary consideration is given to the most recent resales of the subject product type, which 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	7965 Sentinel	2/21/12	\$830,000	2,546	7,190	Short sale; upgraded/good cond.; view
2	8447 Run of the Knolls	9/5/12	\$1,070,000	2,799	6,480	Std. sale; well-upgraded/good cond.
3	8439 Run of the Knolls	11/16/12	\$1,300,000	2,888	7,202	Std. sale; well-upgraded/good cond.; on golf course
4	8181 Santaluz Village Grn.	12/6/12	\$1,000,000	2,888	7,204	Std. sale; upgraded/good cond.; on golf course
5	8419 Run of the Knolls	1/22/13	\$1,325,000	2,799	6,480	Std. sale; well-upgraded/good cond.; view
6	7772 Sendero Angelica	2/21/13	\$1,210,000	2,888	7,203	Std. sale; upgraded/good cond.; golf course view (not frontage)
7	8129 Santaluz Village Grn.	Pending	<u>±\$1,250,000</u>	<u>2,888</u>	7,202	Std. sale; well-upgraded/good cond.; on golf course
			±\$1,141,000	2,814		(Avg.)

It is noted that the average home size of 2,814 s.f. for these 7 sales is only slightly larger than the average of 2,746 s.f. for all 80 homes. It is also noted that only 1 of the 7 sales was a short sale, but indicating a significantly lower price than the standard sales relative to the home size. In addition, the short sale took place over a year ago. Lastly, a smaller percentage or 43% of these sales have golf course frontage in contrast to 56% for all 80 homes. Overall, the indication at \$1,141,000 supports a firm lower limit indication as an average for all 80 homes.

Considering only the 6 standard sales, the average price is somewhat higher at \$1,192,500, but for a slightly larger average home size of 2,858 s.f., which is larger than the average of 2,746 s.f. for all 80 homes. However, 50% of the standard sales have golf course frontage, or slightly lower than the 56% for all 80 homes. Lastly, considering that most of these sales are fairly recent, the indication at \$1,192,500 supports a close indication to close upper limit as an average for all 80 homes.

As previously discussed, recent standard sales of the Casitas product type indicate an average price of \$917,000 for an average size of 2,260 s.f. This is a much smaller average home size than the average of the subject homes, 45% of these sales have golf course frontage in contrast to 56% of the subject homes, and the views of the Casitas homes are far inferior. Thus, the indication at \$917,000 supports a far lower limit as an average for the subject homes.

As discussed next, recent standard sales of the Haciendas Sur product type indicate an average price of \$1,148,000 for an average home size of 3,422 s.f. This is a much larger average home size than the average of the subject homes, and on much larger lots, but only 17% of those sales have golf course frontage in contrast to 56% of the

VALUATION, Continuing

subject homes. In addition, the views of the Haciendas Sur product type are far inferior to the subject homes. Thus, the indication at \$1,148,000 supports a close but firm lower limit as an average for the subject homes.

In summary, the indications of average value for the subject homes support a far lower limit at \$917,000, a firm lower limit at \$1,141,000, a close but firm lower limit at \$1,148,000, and a close indication to closer upper limit at \$1,192,500. The conclusion is an average value of \$1,180,000 for the 80 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

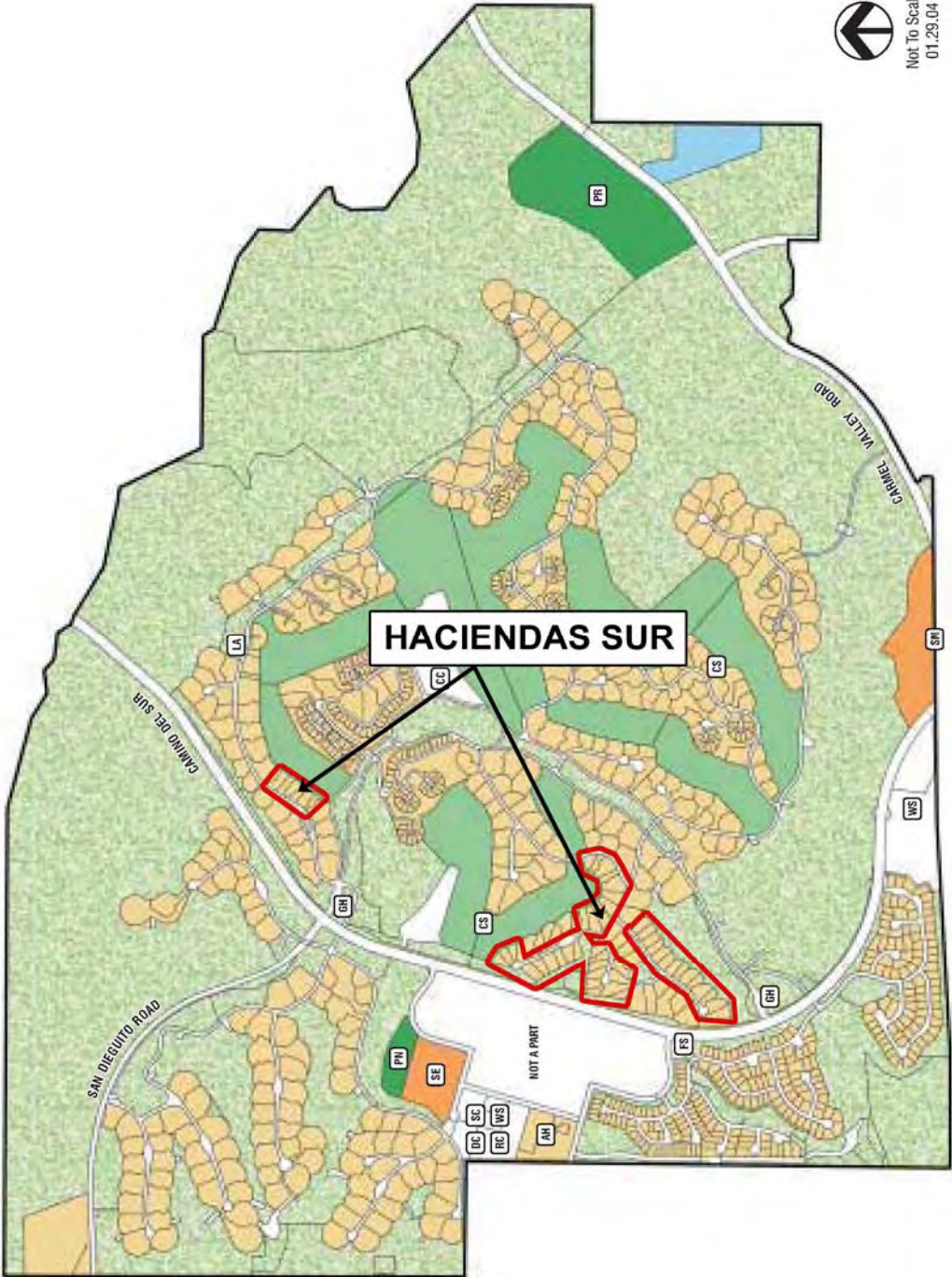
$$80 \text{ homes @ } \$1,180,000 = \$94,400,000$$

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 Sentinels product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$94,400,000

(NINETY-FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS)

MAP OF HACIENDAS SUR



HACIENDAS SUR

PROPERTY DATA

Location

This product type is located in two different areas within the central part of the Santaluz community, easterly of Camino Del Sur. The northerly part is located along Run of the Knolls nearby to the northeast of Caminito Santaluz, and the southerly part is located mostly along Doug Hill Ct. and Las Haciendas near Entrada De Luz West.

Record Owner/Ownership History

Centex Homes built and sold all 50 homes from 2001 through 2003. Thus, as of the March 15, 2013 date of value, all 50 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 50 lots comprising this product type are described as Lots 57 to 62 of Black Mountain Ranch Unit No. 1, according to Map thereof No. 14064, recorded November 2, 2000; and Lots 1 to 10, 23 to 32, 47 to 60, 73 & 82 to 90 of Black Mountain Ranch Unit No. 2, according to Map thereof No. 14065, recorded November 2, 2000; all in the City of San Diego, County of San Diego, State of California.

Assessor Data

The 50 lots comprise Assessor Parcel Nos. 269-211-15 to 20; 303-110-01 to 10; 303-111-01 to 10; 303-113-01 to 11; and 303-114-02 to 04, 09 & 18 to 26. The current assessed values range from \$610,817 to \$1,265,000 or an average of \$1,087,048. The tax rate areas are 08-050 and 08-187 with indicated tax rates of 1.04565% and 1.02215%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.3% to 1.5% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 50 lots, which range in size from 14,943 s.f. to 38,768 s.f., or an average of 23,749 s.f.

Streets and Access

The primary access to the two separate areas comprising this neighborhood is from the North Gate into Santaluz on the east side of Camino Del Sur at Caminito

PROPERTY DATA, Continuing

Santaluz; then northerly along Run of the Knolls to the northerly part; and southerly along Caminito Santaluz West to Doug Hill Ct.

Topography/Views

The lots in the two separate areas are mostly flat on elevated areas above the adjacent open space and golf course areas. This results in relatively minor territorial, open space or golf course views to many of the homes.

Description of Homes

These 50 lots have been developed with a product type of detached homes called Haciendas Sur. The homes were built by Centex Homes in 2001 through 2003. It is noted that 20 (40%) of the homes have golf course frontage and most of the remaining homes back to open space.

There are three floor plans of homes that are described as follows:

Plan 1: 3,217 s.f., single story, with 3 suites, 3½ baths, optional study, optional guest suite, internal courtyard, and 2-car and 1-car split garages.

Plan 2: 3,552 s.f., two-story, with 3 suites with study & reading room, 3½ baths, optional guest suite, and a courtyard between the 2-car and 1-car split garages.

Plan 3: 3,703 s.f., two-story, with 3 suites with teen room, 4½ baths, optional study, optional guest suite, courtyard and large motor court with a 3-car garage.

Per building permit data, the 50 homes range in size from 3,181 s.f. to 3,702 s.f. or an average size of 3,415 s.f.

VALUATION

Analysis of 50 Homes

Primary consideration is given to the most recent resales of the subject product type, which 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	7773 Doug Hill	12/20/11	\$1,225,000	3,702	23,522	Std. sale; some upgrades/good cond.; spa; view
2	7843 Doug Hill	2/15/12	\$968,000	3,187	23,087	Lender sale; some upgrades/avg. cond.; pool/spa
3	7786 Doug Hill	5/18/12	\$990,000	3,187	17,535	Std. sale; some upgrades/good cond. on golf course
4	7769 Doug Hill	9/26/12	\$1,400,000	3,181	19,147	Std. sale; upgraded/good cond.; pool/spa; view
5	8039 Run of the Knolls	12/7/12	\$1,200,000	3,181	14,943	Lender sale; upgraded/good cond.; pool/spa; on golf course
6	7792 Doug Hill	12/18/12	\$1,100,000	3,181	16,023	Std. sale; upgrades/good cond.; view
7	14510 Las Haciendas	3/8/13	\$1,280,000	3,702	16,755	Std. sale; upgraded/good cond.
8	7797 Doug Hill	Pending	<u>±\$895,000</u>	<u>3,581</u>	29,621	Std. sale; upgrades; pool/spa
			±\$1,132,000	3,363		(Avg.)

It is noted that the average home size of 3,363 s.f. for these 8 sales is only slightly smaller than the average of 3,415 s.f. for all 50 homes. It is also noted that 2 of the 8 sales were lender sales, though the prices do not appear to be significantly discounted. In addition, only 25% of these sales have golf course frontage in contrast to 40% for all 50 homes. Lastly, it is noted that three of the sales took place close to or over a year ago, and there could be at least a minor upward time adjustment to those sales. Overall, the indication at \$1,132,000 supports a firm lower limit indication as an average for all 50 homes.

Considering only the 6 standard sales, the average price is only slightly higher at \$1,148,000, but for a slightly larger average home size of 3,422 s.f., which is fairly similar to the average of 3,415 s.f. for all 50 homes. However, only 1 or 17% of these 6 sales have golf course frontage, or a much lower percentage than for all 50 homes. Considering also the dates of sale, this indication at \$1,148,000 also supports a firm lower limit for all 50 homes.

As previously discussed, recent standard sales of the Casitas product type indicate an average price of \$917,000 for an average size of 2,260 s.f. This is a substantially smaller average home size than the average of the subject homes, 45% of these sales have golf course frontage which is only slightly higher than 40% of the subject homes, and the views of the Casitas homes are fairly similar to the subject homes. Thus, the indication at \$917,000 supports a far lower limit as an average for the subject homes.

VALUATION, Continuing

Also as previously discussed, recent standard sales of the Sentinels product type indicate an average price of \$1,192,500 for an average home size of 2,858 s.f. This is a much smaller average home size than the average of the subject homes, and on much smaller lots, but 50% of those sales have golf course frontage in contrast to 40% of the subject homes. In addition, the views of the Sentinels product type are far superior to the subject homes. Thus, the superior factors of golf course frontage and views are more than offsetting to the larger average home size, resulting in a firm upper limit at \$1,192,500 as an average for the subject homes.

In summary, the indications of average value for the subject homes support a far lower limit at \$917,000, firm lower limits at \$1,132,000 and \$1,148,000, and a firm upper limit at \$1,192,500. The conclusion is an average value of \$1,170,000 for the 50 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

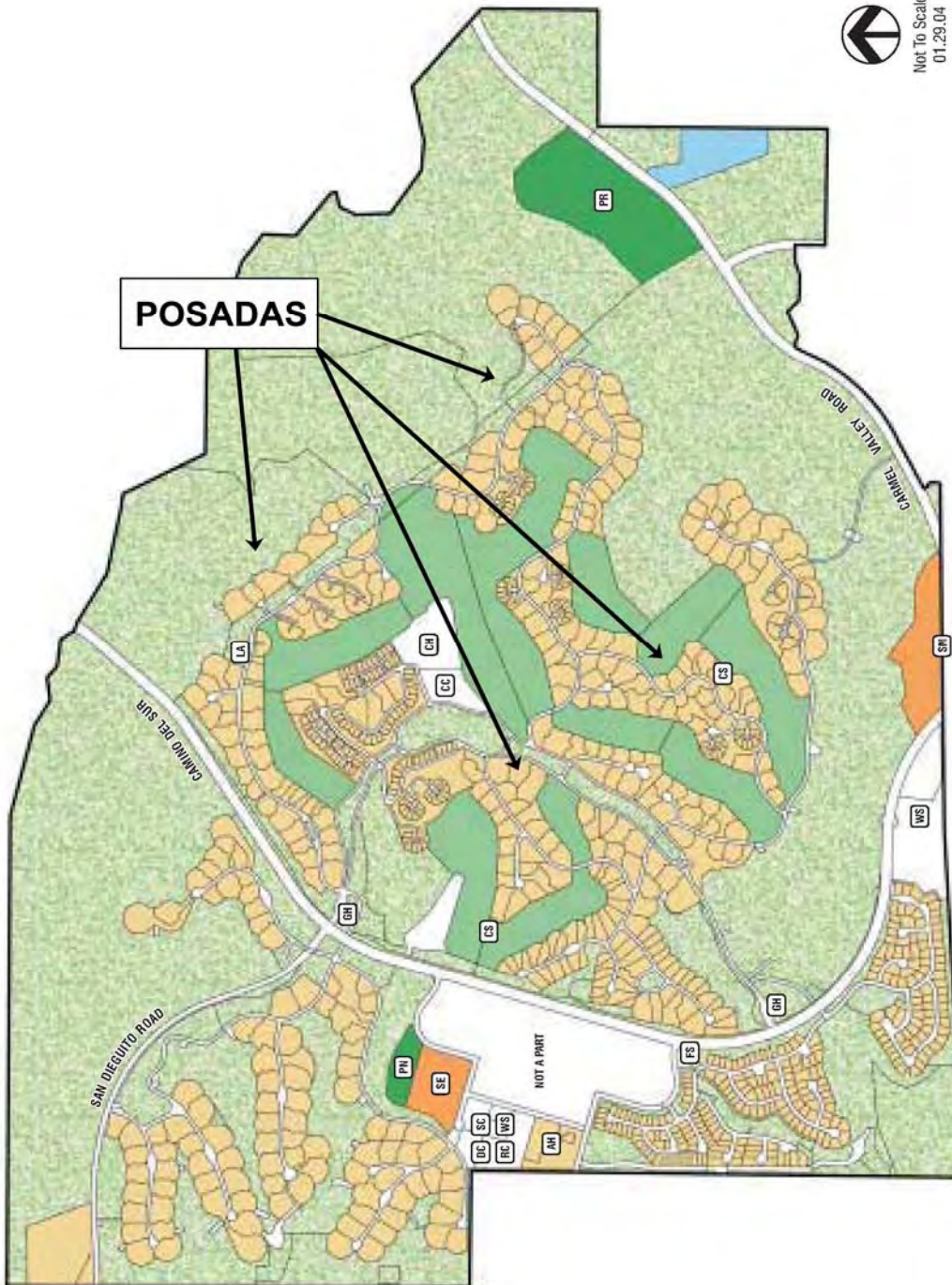
$$50 \text{ homes @ } \$1,170,000 = \$58,500,000$$

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 Haciendas Sur product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$58,500,000

(FIFTY-EIGHT MILLION FIVE HUNDRED THOUSAND DOLLARS)

MAP OF POSADAS



POSADAS

PROPERTY DATA

Location

This product type is scattered in various areas all throughout the central part of the Santaluz community, approximately as indicated on the map on the previous page.

Record Owner/Ownership History

Taylor Woodrow Homes built and sold all 54 homes from 2001 through early 2004. Thus, as of the March 15, 2013 date of value, all 54 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 54 lots comprising this product type are described as Lots 189, 208 to 211 & 216 to 219 of Black Mountain Ranch Unit No. 1, according to Map thereof No. 14064; Lots 33 to 45 & 99 to 104 of Black Mountain Ranch Unit No. 2, according to Map thereof No. 14065; Lots 37 & 42 to 45 of Black Mountain Ranch Unit No. 3, according to Map thereof No. 14223; Lots 23, 24, 29 to 31, 65 to 67, 87 & 88 of Black Mountain Ranch Unit No. 4, according to Map thereof No. 14276; Lots 31 & 33 to 35 of Black Mountain Ranch Unit No. 5, according to Map thereof No. 14358; Parcel 2 of Parcel Map 19015; Parcel 2 of Parcel Map 19048; Parcels 1 & 2 of Parcel Map 19072; Parcels 1 & 2 of Parcel Map 19161; and Parcel 1 of Parcel Map 20860; all in the City of San Diego, County of San Diego, State of California.

Assessor Data

The 54 lots comprise Assessor Parcel Nos. 269-230-03, 09 to 12, 24 & 29; 269-231-18 & 34; 269-232-01 to 03; 269-291-11; 269-292-07; 269-293-09 & 11; 303-111-11 to 13; 303-112-01 to 04 & 11; 303-114-40; 303-120-13; 303-121-03 to 07 & 12; 303-122-01 to 06; 303-171-18 to 21; 303-172-11; 303-182-09, 10, 15, 16, 22, & 23; 303-183-01; 303-184-06 to 08; and 312-290-14. The current assessed values range from \$744,807 to \$3,098,897 or an average of \$1,715,315. The tax rate areas are 08-050, 08-154, 08-187 and 08-189 with indicated tax rates of 1.04565 % and 1.02215%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.3% to 1.5% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 54 lots, which range in size from 35,284 s.f. to 103,673 s.f. or 2.38 acres, or an average of 56,555 s.f. or 1.30 acres.

PROPERTY DATA, Continuing

Streets and Access

The scattered subject homes are accessed by both the North and South Gates into the Santaluz community and then by the various private streets throughout the community.

Topography/Views

The subject lots are mostly on elevated areas that are above the adjacent open space and golf course, other than the lots at the easterly side of Santaluz that slope up into the higher areas. Most of the subject lots have territorial, open space or golf course views, with the best views being to those homes at the easterly side of the community.

Description of Homes

These 54 lots have been developed with a product type of detached homes called Posadas. The homes were built by Taylor Woodrow Homes in 2001 through early 2004. It is noted that 19 (35%) of the homes have frontage on the golf course.

There are three floor plans of homes that are described as follows:

Plan 1: 4,776 to 4,861 s.f., two-story, with 4 bedrooms, 4½ baths, library, expansive family room with media niche & fireplace, formal living & dining room with double-sided fireplace, bonus room, gourmet island kitchen with breakfast room, and split 3 or 4-car garage.

Plan 2: 5,253 s.f., single story, with 4 bedrooms, 4½ baths, library, expansive family room with media niche & fireplace, grand salon with fireplace & expansive veranda, bonus room, gourmet island kitchen with breakfast room, and split 3 or 4-car garage.

Plan 3: 5,534 to 5,565 s.f., single story, with 5 bedrooms including detached guest bedroom, 5½ baths, library, expansive family room with media niche & double-sided fireplace, formal living room with fireplace, formal dining room, bonus room with study alcove, gourmet island kitchen with breakfast room & double-sided fireplace, internal courtyard, and 3 or 4-car garage.

Per building permit data, the 54 homes range in size from 4,776 s.f. to 5,565 s.f. or an average size of 5,303 s.f.

VALUATION

Analysis of 54 Homes

Primary consideration is given to the most recent resales of the subject product type, which 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	7982 Doug Hill	1/9/12	\$1,475,000	5,400	1.18	Short sale; well-upgraded/good cond.; on golf course
2	8235 Caminito Santaluz	4/10/12	\$1,900,000	5,254	2.11	Std. sale; upgraded; on golf course
3	7981 Sendero de Oro	5/30/12	\$1,466,500	5,400	.81	Short sale; some upgrades/good cond.; pool/spa; on golf course
4	8151 Caminito Santaluz	8/23/12	\$1,607,000	5,400	1.38	Lender sale; some upgrades
5	8035 Entrada de Luz	9/14/12	\$2,000,000	5,547	1.61	Std. sale; upgraded/good cond.; pool/spa
6	8020 Entrada de Luz	9/27/12	\$1,987,500	5,546	1.08	Std. sale; well-upgraded/good cond.; on golf course
7	8194 Caminito Santaluz	10/19/12	\$2,075,000	5,169	1.05	Std. sale; upgraded/good cond.; pool/spa
8	8555 Run of the Knolls	11/6/12	\$1,775,000	5,254	.82	Std. sale; well-upgraded/good cond.
9	8559 Run of the Knolls	11/9/12	\$1,440,000	4,861	1.37	Std. sale; upgrades/good cond.; view
10	7984 Entrada de Luz	1/17/13	\$1,795,000	5,254	1.28	Short sale; pool/spa; on golf course
11	8084 Caminito Santaluz Sur	2/15/13	<u>\$1,400,000</u>	<u>4,776</u>	2.38	Short sale; pool/spa; view
			±\$1,720,000	5,260		

It is noted that the average home size of 5,260 s.f. for these 11 sales is only slightly smaller than the average of 5,303 s.f. for all 54 homes. It is also noted that 5 of the 11 sales were either short or lender sales, which would tend to result in conservative prices and a significant negative impact on the average for all 11 sales. However, 45% of the sales have golf course frontage in contrast to 35% for all 54 homes. Lastly, it is noted that three of the sales took place close to or over a year ago, and there could be at least a minor upward time adjustment to those sales. Thus, upward adjustments for the smaller average home size, the impact by the short and lender sales and the dates of sale are only partially offset by the golf course frontage factor, resulting in a firm lower limit at \$1,720,000 as an average for all 54 homes.

Considering only the 6 standard sales, the average price is significantly higher at \$1,863,000, but for a fairly similar average home size of 5,272 s.f., again slightly smaller than the average of 5,303 s.f. for all 54 homes. In addition, 33% of these 6 sales have golf course frontage, or slightly lower than the percentage of 35% for all 54 homes. Thus, this indication at \$1,863,000 supports a close but firm lower limit as an average for all 54 homes.

VALUATION, Continuing

It is also noted that there is one current listing in the subject product type that is discussed as follows:

7931 Doug Hill: 5,255 s.f. home on a 1.48-acre lot listed for \$2,600,000 as a standard sale; the home is well upgraded and in good condition, including pool and spa.

It is evident that this asking price is significantly higher than any of the indicated sale prices, and for a home that is similar to the average size of all 54 homes, and without golf course frontage or significant view. Thus, this is only of general interest and appears to be well overpriced.

As discussed next for the Custom Homes, recent standard sales of homes in the main Santaluz area support a far upper limit at an average of \$2,909,000 due to the much larger average home size of 6,332 s.f. from those sales. In addition, the recent standard sales of homes in the northwest area support a closer but still far upper limit at an average of \$2,370,000 due to the much larger average home size of 6,372 s.f., though with inferior views to the Posadas homes.

As discussed later in CFD No. 13, the recent standard sales of homes in the northwest and west parts of that community support a far lower limit as an average at \$1,498,000 due to the much smaller average home size of 4,737 s.f., as well as the inferior location and views.

In summary, the indications of average value for the subject homes support a far lower limit at \$1,498,000, a firm lower limit at \$1,720,000, a closer but firm lower limit at \$1,863,000, and far upper limits at \$2,370,000 and \$2,909,000. The conclusion is an average value of \$1,900,000 for the 54 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

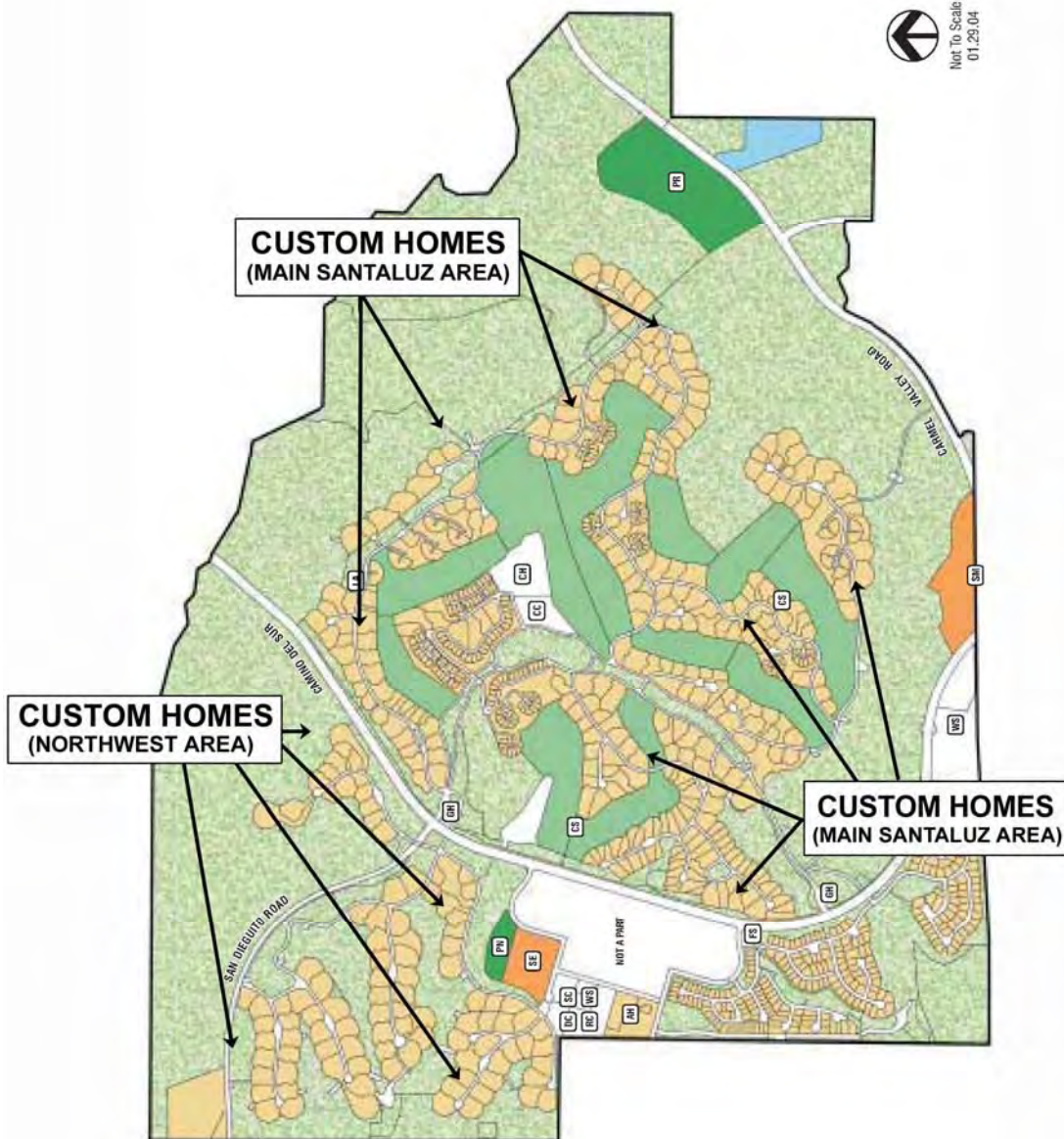
54 homes @ \$1,900,000 = \$102,600,000

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 Posadas product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$102,600,000

(ONE HUNDRED TWO MILLION SIX HUNDRED THOUSAND DOLLARS)

MAP OF CUSTOM HOMES



CUSTOM HOMES

PROPERTY DATA

Location

This product type is scattered in various areas throughout the Santaluz community, as well as comprising all of the northwest part of Santaluz which is located to the northwest of Camino Del Sur and mostly southerly from San Dieguito Rd.

Record Owner/Ownership History

The master developer of Santaluz began selling these custom lots in early 2002, and as of the March 15, 2013 date of value all 208 of the taxable lots included in this appraisal were owned by individual owners. In addition, there have been many resales of the custom homes and vacant lots.

Legal Description

The 208 lots comprising this product type are all described in the City of San Diego, County of San Diego, State of California as follows:

Lots 63, 65, 66 & 246 of Black Mountain Ranch Unit No. 1, according to Map thereof No. 14064;
Lots 1, 3, 9, 13, 15, 21, 25, 27, 29, 31, 33, 35, 37, 41, 47, 49, 53, 91, 93, 95, 97, 119, 121, 123, 192, 194, 196, 198, 212 & 214 of Black Mountain Ranch Unit No. 1 Amended, according to Map thereof No. 14307;
Lots 92, 95, 96 & 105 to 115 of Black Mountain Ranch Unit No. 2, according to Map thereof No. 14065;
Lots 61, 63, 65, 71, 74, 76, 78 & 80 of Black Mountain Ranch Unit No. 2 Amended, according to Map thereof No. 14308;
Lots 1, 3 to 8, 10 to 12, 14, 16, 18, 39 to 41, 47, 48, 65, 67 to 69, 71, 73, 75, 76, 89 & 95 of Black Mountain Ranch Unit No. 3, according to Map thereof No. 14223;
Lots 49, 52, 53, 55, 59, 63, 90 & 94 of Black Mountain Ranch Unit No. 3 Amended, according to Map thereof No. 14768;
Lots 1 to 6, 15, 17, 20, 62, 64, 82, 89, 91 & 92 of Black Mountain Ranch Unit No. 4, according to Map thereof No. 14276;
Lot 3 of Black Mountain Ranch Unit No. 4A, according to Map thereof No. 14698;
Lots 25, 27, 83 & 102 of Black Mountain Ranch Unit No. 4 Amended, according to Map thereof No. 14772;
Lots 32, 36, 37 & 39 of Black Mountain Ranch Unit No. 5, according to Map thereof No. 14358;
Lots 1, 3, 5 & 21 of Black Mountain Ranch Unit No. 5 Amended, according to Map thereof No. 14709;
Lots 2 to 4, 6 to 17, 20 to 22, 24 & 26 to 29 of Black Mountain Ranch Unit No. 6, according to Map thereof No. 14255;
Lots 2 to 6, 8, 10 to 14, 16, 17, 22 to 24 & 27 of Black Mountain Ranch Unit No. 7, according to Map thereof No. 14296;
Lots 1, 2, 5 to 8, 10 to 12, 14 to 16, 18 & 21 to 24 of Black Mountain Ranch Unit No. 8, according to Map thereof No. 14297;

PROPERTY DATA, Continuing

Lots 3, 5 to 7, 12 to 14, 25 & 26 of Black Mountain Ranch Unit No. 9A, according to Map thereof No. 14893;
Lots 7 & 8 of Black Mountain Ranch Unit No. 16, according to Map thereof No. 14720;
Parcels 1 & 2 of Parcel Map 19068;
Parcel 1 of Parcel Map 19077;
Parcels 1, 2 & 3 of Parcel Map 19209;
Parcels 2, 3 & 4 of Parcel Map 19362;
Parcels 3 & 4 of Parcel Map 19363;
Parcel 2 of Parcel Map 19529;
Parcel 1 of Parcel Map 19559;
Parcels 1 & 2 of Parcel Map 20114;
Parcels 1 & 2 of Parcel Map 20671;
Parcel 1 of Parcel Map 20865;
Parcel 1 of Parcel Map 20925.

Assessor Data

The 208 lots comprise the following Assessor Parcel Nos.:

269-210-05, 07, 08, 18 & 20
269-211-31 to 33
269-212-26, 28, 30 & 31
269-213-25 to 31, 34 & 35
269-220-50 to 54
269-221-52 & 53
269-230-13, 21 & 22
269-231-26 to 29, 35 & 37
269-233-18
269-250-02 to 04, 06, 09 to 11, 13, 15 to 18 & 37
269-251-01 to 11
269-260-02 to 06, 08 & 10 to 14
269-261-02, 03, 08 to 10, 13 & 19 to 21
269-270-01, 02, 05 to 08, 10 to 12, 14 to 16, 18 & 21 to 24
269-280-23, 25 to 27, 32 to 34, 45 & 46
269-290-10 to 12
269-291-12, 13, 15 & 28
269-292-11
269-293-10
303-113-23 to 25 & 28
303-114-35 to 39 & 41
303-120-01, 04 & 05
303-122-07 to 12
303-123-01 to 05
303-170-01, 03 to 08 & 14
303-171-01 to 03, 05, 07, 09, 23, 24, 27 & 29
303-172-13 to 15 & 20
303-173-15, 21, 29 to 31, 33, 35, 36 & 38
303-174-01, 03 & 21 to 23
303-175-01, 02, 04, 06, 08 & 09
303-180-01 to 04 & 12
303-181-01, 02, 19 & 42
303-182-01, 03, 06, 17, 24, 26, 27 & 36 to 38

PROPERTY DATA, Continuing

303-183-42 & 43
303-184-03 & 05
312-290-07 & 08

The current assessed values range from \$300,000 to \$5,331,272 or an average of \$1,995,708. The tax rate areas include 08-050, 08-120, 08-154, 08-187 and 08-189 with indicated tax rates of 1.02215% and 1.04565%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.3% to 1.5% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 208 lots, which range in size from 19,651 s.f. to 101,495 s.f. or 2.33 acres, or an average of 52,618 s.f. or 1.21 acres.

Streets and Access

The scattered subject homes are accessed by both the North and South Gates into the main part of the Santaluz community and then by the various private streets throughout the community. The northwest area has secondary access via San Dieguito Rd.

Topography/Views

The subject lots in the main Santaluz community easterly of Camino Del Sur are mostly on elevated areas that are above the adjacent open space and golf course, with the lots at the easterly side of Santaluz being more highly elevated and with the most prominent views to the west including distant ocean view. All of the subject lots in this area have at least a minor territorial, open space or golf course views.

In contrast, the lots in the northwest area, northwest of Camino Del Sur, have primarily territorial views of hills or canyon areas, with no golf course frontage and no prominent views.

Description of Homes/Status of Construction

As of the March 15, 2013 date of value, 197 lots had completed homes and 11 lots had homes under construction. Construction of the completed homes started in late 2002 and several homes have very recently been completed. As to the homes currently under construction, they range from the foundation/slab stage to \pm 70% completed but most are well under 50% completed. These are all fairly high quality and unique custom homes, and not production homes with certain types of specific floor plans.

PROPERTY DATA, Continuing

For appraisal purposes, the homes are segregated into two separate areas. First, there are 130 completed homes and 8 homes under construction that are located within the main area of Santaluz which lies east of Camino Del Sur, with about 44% of the homes having golf course frontage and many also having good views. Second, there are 67 completed homes and 3 homes under construction in the northwest part of Santaluz, located to the west/northwest of Camino Del Sur, with no golf course frontage and limited territorial views.

Per building permit data, the range of home sizes and the average size for these two categories of completed homes are as follows:

130 Homes: 3,042 s.f. to 12,248 s.f. or an average of 6,383 s.f.

67 Homes: 4,205 s.f. to 9,362 s.f. or an average of 6,153 s.f.

VALUATION

Analysis of 130 Completed Homes (Main Santaluz Area)

Primary consideration is given to the most recent resales of these subject homes, which are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	8046 Doug Hill	2/7/12	\$3,100,000	7,846	2008	1.53	Std. sale; well-upgraded/good cond; pool/spa; on 13 th hole
2	7836 Sendero Angelica	2/28/12	\$2,125,000	4,920	2005	.92	Std. sale; on 11 th hole
3	7916 Entrada de Luz	4/17/12	\$4,800,000	8,842	2006	1.38	Std. sale; highly upgraded; pool/spa; on 10 th fairway
4	8342 Santaluz Village	6/28/12	\$2,150,000	4,817	2008	1.10	Std. sale; well-upgraded/good cond; spa; view
5	8367 Sendero de Alba	7/24/12	\$1,850,000	7,868	2005	1.09	Short sale; view
6	7832 Doug Hill	8/16/12	\$1,465,000	6,034	2006	.80	Lender sale; well-upgraded; pool/spa
7	8021 Entrada de Luz	10/5/12	\$2,450,000	7,556	2009	.77	Std. sale; well-upgraded/good cond; pool/spa; on 16 th hole
8	8160 Doug Hill	10/22/12	\$1,800,000	4,826	2008	1.07	Short sale; upgraded/good cond.; pool/spa; view
9	7828 Santaluz Inlet	11/7/12	\$1,758,000	4,097	2005	.56	Std. sale; well-upgraded/good cond; pool/spa; on 11 th hole
10	8136 Entrada de Luz	2/27/13	\$2,300,000	6,339	2007	1.13	Std. sale; well-upgraded/good cond; view

VALUATION, Continuing

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
11	7856 Sendero Angelica	2/28/13	\$3,800,000	6,558	2008	1.15	Std. sale; well-upgraded/good cond; pool/spa; view
12	7778 Doug Hill	Escrow	±\$1,160,000	5,275	2005	.90	Short sale; upgraded/good cond.; pool/spa
13	8084 Entrada De Luz	Escrow	<u>±\$3,695,000</u>	<u>6,009</u>	2012	1.06	Std. sale; new const; pool/spa; view
			±\$2,496,000	6,230			(Avg.)

It is noted that the average home size of 6,230 s.f. for these 13 sales is only slightly smaller than the average of 6,383 s.f. for all 130 homes. In addition, this is a fairly typical sample of the 130 homes in terms of the lot sizes, golf course frontage and views, though 38% of the sales have golf course frontage in contrast to 44% of the 130 homes. However, it is also noted that 4 of the 13 sales were short or lender sales, and it is evident that these sale prices are well on the conservative side, resulting in a negative impact on the average price. Lastly, 3 of the sales took place about a year ago, and there could be at least a minor upward time adjustment to these sales. Thus, the indication at \$2,496,000 supports a firm lower limit as an average for all 130 homes.

Considering only the 9 standard sales, the average price is much higher at \$2,909,000 and for a slightly larger average home size of 6,332 s.f., or fairly similar to the average size of the 130 homes. However, 56% of these 9 sales have golf course frontage, or a much higher percentage than for the 130 homes. Considering also the dates of sale of these standard sales, the indication at \$2,909,000 supports a close but firm upper limit as an average for all 130 homes.

As discussed next, recent standard sales of the custom homes in the northwest area of Santaluz indicate an average price of \$2,370,000 for an average home size of 6,372 s.f. While the average home size is very similar to the average of the 130 subject homes, as previously discussed, the location within Santaluz is inferior and the views are far inferior. Thus, the indication at \$2,370,000 supports a far lower limit as an average for the subject homes.

As discussed later in CFD No. 12 for Gables Crossing, the only two most recent home sales would support far lower limits at \$1,750,000 and \$1,900,000 for 4,500 s.f. and 4,562 s.f. homes, due to the much smaller size, far inferior location and lack of views.

In summary, the indications of average value for the subject homes support far lower limits from \$1,750,000 to \$2,370,000, a firm lower limit at \$2,496,000, and a close but firm upper limit at \$2,909,000. The conclusion is an average value of \$2,800,000 for the 130 homes.

VALUATION, Continuing

Analysis of 67 Completed Homes (Northwest Area)

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	14732 Encendido	1/26/12	\$2,475,000	7,467	2009	1.37	Std. sale; well-upgraded/good cond; pool/spa; view
2	7568 Northern Lights	3/9/12	\$1,850,000	6,366	2006	1.49	Short sale; well-upgraded/avg. cond; view
3	7559 Northern Lights	3/12/12	\$2,150,000	6,338	2005	1.48	Std. sale; avg. upgrades/good cond; view
4	7564 Northern Lights	3/21/12	\$2,000,000	6,990	2006	1.33	Short sale; well-upgraded/good cond; pool/spa; view
5	7650 Illuminado	4/4/12	\$2,272,000	5,868	2006	1.34	Std. sale; well-upgraded/good cond; pool/spa; view
6	7563 Montien	4/26/12	\$2,490,000	6,753	2006	1.77	Std. sale; well-upgraded/good cond; pool/spa; view
7	7572 Montien	5/11/12	\$2,938,000	7,301	2011	1.20	Std. sale; new construction; pool/spa; view
8	7568 Northern Lights	5/30/12	\$2,250,000	6,366	2006	1.49	Std. sale; well-upgraded/good cond; pool/spa; view
9	7783 Northern Lights	11/15/12	\$1,662,500	5,040	2006	.75	Short sale; upgraded/good cond.; view
10	7641 Illuminado	11/30/12	\$2,075,000	5,907	2004	1.08	Std. sale; upgrades/good cond.; pool/spa; view
11	7621 Illuminado	12/21/12	\$2,400,000	5,610	2007	1.56	Std. sale; well-upgraded/good cond; pool/spa; view
12	14656 Encendido	1/15/13	\$1,650,000	5,244	2008	1.38	Std., sale; avg. upgrades/good cond.
13	7556 Montien	Escrow	<u>\$2,995,000</u>	<u>6,865</u>	2010	1.37	Std. sale; new construction; well upgraded; pool/spa; view
			\$2,247,000	6,317			(Avg.)

It is noted that the average home size of 6,317 s.f. for these 13 sales is slightly larger than the average of 6,153 s.f. for all 67 homes. In addition, this is a fairly typical sample of the 67 homes in terms of the lot sizes and views. However, it is also noted that 3 of the 13 sales were short sales, and it is evident that these sale prices are well on the conservative side, resulting in a negative impact on the average price. Lastly, 8 of the sales took place close to or over a year ago, and there could be at least a minor upward time adjustment to these sales. Thus, the indication at \$2,247,000 supports a firm lower limit as an average for all 67 homes.

Considering only the 10 standard sales, the average price is somewhat higher at \$2,370,000 and for a slightly larger average home size of 6,372 s.f., still slightly

VALUATION, Continuing

larger than the average size of the 67 homes. However, many of these 10 sales took place close to a year ago. Thus, the indication at \$2,370,000 supports a fairly close indication as an average for all 67 homes.

As previously discussed, the recent standard sales of custom homes within the main Santaluz area support a far upper limit for these 67 homes at an average of \$2,909,000 due to the far superior location and views.

As discussed later in CFD No. 12 for Gables Crossing, the only two most recent home sales would support far lower limits at \$1,750,000 and \$1,900,000 for 4,500 s.f. and 4,562 s.f. homes, due to the much smaller size, far inferior location and lack of views.

In summary, the indications of average value for the subject homes support far lower limits at \$1,750,000 and \$1,900,000, a firm lower limit at \$2,247,000, a close indication at \$2,370,000, and a far upper limit at \$2,909,000. The conclusion is an average value of \$2,350,000 for the 67 homes.

Analysis of 8 Homes Under Construction (Main Santaluz Area)

The value allocation to these 8 homes is based on a conservative estimate of average costs expended thus far on the construction, added to a conservative estimate of average value for the vacant lots. As previously indicated, these 8 homes range from early in the construction process to $\pm 70\%$ completed, or an average of well under 50%, and I have concluded on an average of 25% completion. As to an estimate of direct construction costs, input has been obtained that the construction cost of these custom homes can range from just under \$200.00 to over \$500.00 per s.f. I have used the low end of the range, or \$200.00 per s.f.

As to the average size of the homes under construction, information available on 7 of the homes indicates a size range of 5,305 s.f. to 18,079 s.f. or an average of 9,452 s.f. However, excluding the outlier at 18,079 s.f., the range is 5,305 s.f. to 10,538 s.f. or an average of 8,014 s.f. Thus, the cost estimate is based on 25% average completion at \$200.00 per s.f. or \$50.00 per s.f. applied to an average home size of $\pm 8,000$ s.f., or an average cost amount of \$400,000.

As to the average value of the vacant lots for these 8 homes under construction, recent sales of vacant custom lots in this main Santaluz area have been considered, and are shown in the following table:

VALUATION, Continuing

<u>No.</u>	<u>Location</u>	<u>Rec. Date</u>	<u>Size (Acres)</u>	<u>Sale Price</u>	<u>Remarks</u>
1	Run of the Knolls	1/20/12	1.34	\$535,000	Std. sale; golf course frontage (17 th green)
2	7994 Doug Hill	2/22/12	1.17	\$450,000	Std. sale; golf course frontage (12 th fairway/green)
3	8138 Sendero de la Pradera	2/29/12	1.72	\$1,240,000	Std. sale; golf course frontage (17 th green)
4	Entrada de Luz East	3/7/12	2.26	\$348,000	Lender sale; non-golf course; prominent views
5	Entrada de Luz East	7/12/12	1.34	\$349,000	Std. sale; non-golf course; open space views
6	8114 Sendero de la Pradera	8/1/12	1.45	\$1,300,000	Std. sale; golf course frontage (17 th boxes)
7	Run of the Knolls	8/6/12	1.28	\$1,000,000	Std. sale; golf course frontage (18 th green)
8	8335 Run of the Knolls	8/13/12	1.00	\$749,000	Build-to-suit; non-golf course; views
9	7751 Sendero Angelica	9/7/12	.67	\$385,000	Std. sale; golf course frontage (13 th boxes)
10	8127 Entrada de Luz East	9/20/12	1.14	\$230,000	Std. sale; non-golf course; open space views
11	Doug Hill	11/30/12	.95	\$520,000	Std. sale; non-golf course; open space view
12	8114 Doug Hill	12/11/12	1.28	\$545,000	Std. sale; non-golf course
13	7905 Entrada de Luz	1/29/13	1.56	\$1,442,500	Std. sale; golf course frontage (16 th boxes)
14	8033 Run of the Knolls	3/7/13	1.16	\$535,000	Std. sale; golf course frontage (2 nd green)
15	8183 Doug Hill	3/8/13	1.96	\$670,000	Std. sale; non-golf course, open space view
16	8030 Entrada de Luz East	Escrow	<u>.58</u>	<u>\$935,000</u>	Std. sale; golf course frontage (17 th & 18 th boxes)
			1.30	\$702,000	(Avg.)

It is evident that there is a wide range in price from \$230,000 to \$1,442,500. The low end of the range appears to be an aberration as well as a lender sale, and the upper part of the range is from the most desirable lots in terms of location, view and size. The average price indicated by this data is concluded to be reasonable as an average for the 8 lots with homes under construction, or an average of \$700,000.

Thus, the indication for the 10 homes under construction is an average cost amount of \$400,000 and an average lot value of \$700,000, or a total of \$1,100,000.

Analysis of 3 Homes Under Construction (Northwest Area)

This is similar to the previous analysis of the 8 homes, though the average percentage of completion is concluded to be 20%. Thus, the cost estimate is based on 20% of \$200.00 per s.f. or \$40.00 per s.f. on the average size of 4,059 s.f. for these 3 homes, or a cost amount rounded to \$160,000.

VALUATION, Continuing

As to the average value of the vacant lots for these 3 homes under construction, recent sales of vacant custom lots in this northwest area of Santaluz have been considered, and are shown in the following table:

<u>No.</u>	<u>Location</u>	<u>Rec. Date</u>	<u>Size (Acres)</u>	<u>Sale Price</u>	<u>Remarks</u>
1	7552 Montien	1/6/12	1.74	\$200,000	Std. sale; views
2	7508 Plein Aire	1/30/12	1.69	\$266,000	Std. sale; views
3	14979 Encendido	3/5/12	1.36	\$400,000	Std. sale; views
4	7670 Iluminado	3/28/12	1.43	\$375,000	Std. sale; good views
5	14945 Encendido	4/27/12	.82	\$350,000	Build-to-suit
6	14830 Encendido	5/16/12	1.94	\$305,000	Lender sale; views
7	14941 Encendido	6/25/12	.83	\$358,000	Std. sale; views
8	14957 Encendido	7/19/12	.91	\$300,000	Build-to-suit
9	16115 Rockview	11/27/12	1.16	\$255,000	Lender sale
10	14990 Encendido	3/15/12	<u>.98</u>	<u>\$440,000</u>	Std. sale
			1.29	±\$325,000	(Avg.)

It is evident that these lot prices are significantly lower than the lot prices in the main Santaluz area, and indicate a narrower range from \$200,000 to \$440,000. Again, the low end of the range appears to be an aberration, and two of the sales were lender sales. The upper part of the range reflects the more desirable lots in terms of view and/or size. The average price indicated by this data is concluded to be reasonable as an average for the 3 lots with homes under construction, or an average rounded down to \$320,000.

Thus, the indication for the 3 homes under construction is an average cost amount of \$160,000 and an average lot value of \$320,000, or a total of \$480,000.

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

130 completed homes @ \$2,800,000 =	\$364,000,000
67 completed homes @ \$2,350,000 =	\$157,450,000
8 homes under construction @ \$1,100,000 =	\$ 8,800,000
3 homes under construction @ \$480,000 =	<u>\$ 1,440,000</u>
	\$531,690,000

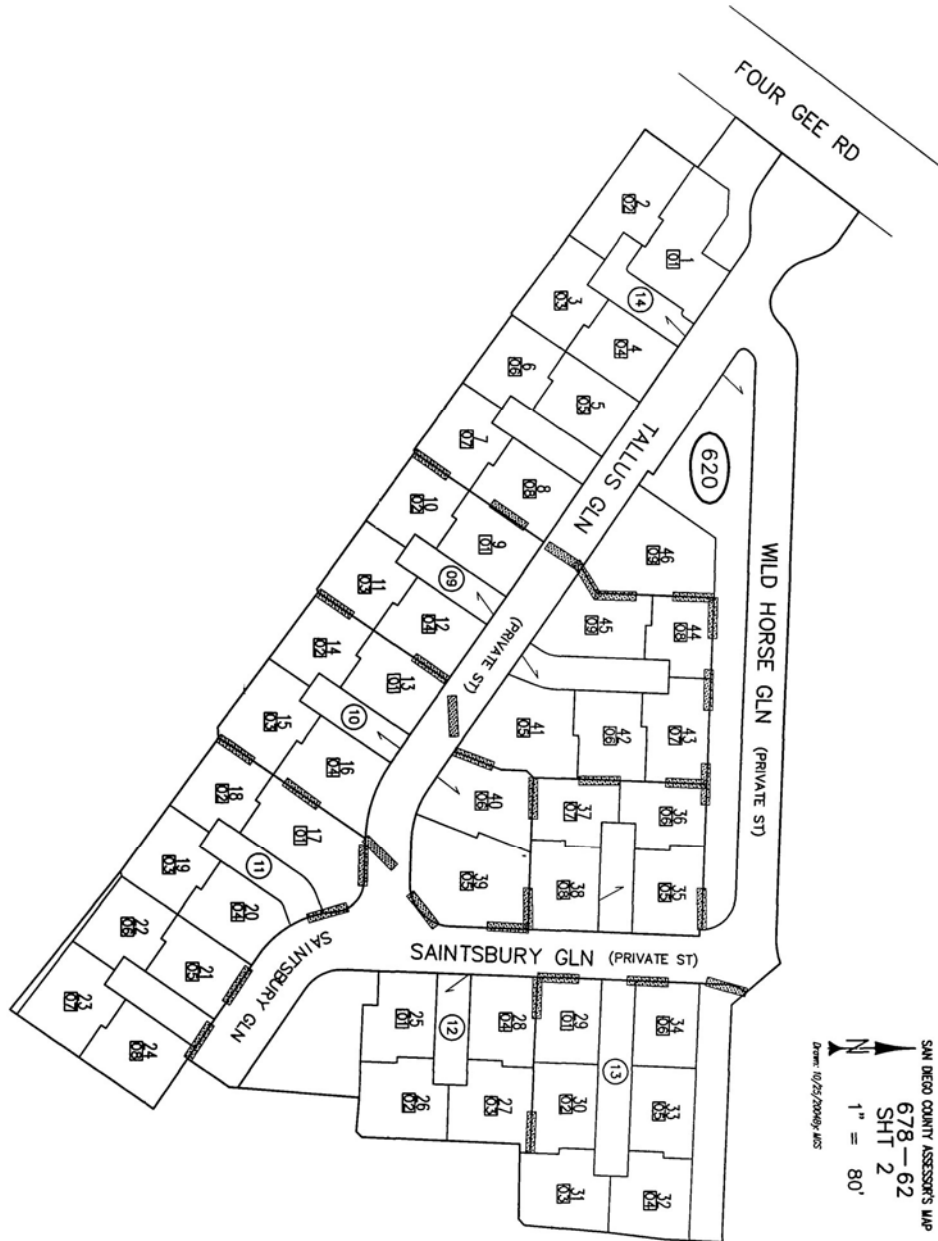
VALUATION, Continuing

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 Custom Homes product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$531,690,000

**(FIVE HUNDRED THIRTY-ONE MILLION
SIX HUNDRED NINETY THOUSAND DOLLARS)**

MAP OF LA VINA



LA VINA

PROPERTY DATA

Location

This product type is located on the southeast side of Four Gee Rd. at Tallus Glen, which is just to the northeast of Camino Del Sur and just to the northwest of Rancho Bernardo Rd. in the City of San Diego.

Record Owner/Ownership History

Taylor Woodrow Homes built and sold all 46 homes in 2004. Thus, as of the March 15, 2013 date of value, all 46 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 46 lots comprising this product type are described as Units 1 to 46 as shown and described on the Condominium Plan for Phases 1 through 6, which Plan concerns a portion of Lots 3 and 4 of Del Norte Cottages, in the city of San Diego, County of San Diego, State of California, according to Map thereof No. 14699; plus fractional fee simple interests in common areas.

Assessor Data

The 46 lots comprise Assessor Parcel Nos. 678-620-09-01 to 09; 678-620-10-01 to 06; 678-620-11-01 to 08; 678-620-12-01 to 08; 678-620-13-01 to 06; and 678-620-14-01 to 09. The current assessed values range from \$332,000 to \$569,875 or an average of \$450,551. The tax rate area is 08-050 with an indicated tax rate of 1.04565%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.6% to 1.8% based on the average appraised value.

No. of Lots/Lot Sizes

There are a total of 46 lots for the detached homes in a condominium plan, but with no specific lot sizes.

Streets and Access

The main entry to this neighborhood is off of Four Gee Rd. at Tallus Glen. The interior or in-tract private streets include Tallus Glen, Wild Horse Glen and Saintbury Glen.

PROPERTY DATA, Continuing

Topography/Views

The overall neighborhood is fairly flat and approximately at grade of the surroundings, resulting in no significant views to any of the homes.

Description of Homes

These 46 lots have been developed with a product type of detached homes in a condominium plan called La Vina. The homes were built by Taylor Woodrow Homes in 2004. Amenities of the project include only minor greenbelt and visitor parking areas.

There are three floor plans of homes that are described as follows:

Plan 1: 1,858 s.f., two-story, with 3 bedrooms, 2½ baths, great room, office, island kitchen and a 2-car garage.

Plan 2: 1,952 s.f., two-story, with 3 bedrooms, 2½ baths, great room, island kitchen, study/parlor, bonus room or optional master retreat or bedroom 4, and a 2-car garage.

Plan 3: 2,188 s.f., two-story, with 3 bedrooms, 3 baths, great room, study and loft or optional bedrooms 4 and 5, and a 2-car garage.

Per building permit data, the 46 homes range in size from 1,858 s.f. to 2,188 s.f. or an average size of 2,044 s.f.

VALUATION

Analysis of 46 Homes

Primary consideration is given to the most recent resales of the subject product type, which are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	16856 Saintsbury Glen	1/9/12	\$430,000	2,181	Lender sale; vacant; average condition
2	16859 Saintsbury Glen	2/29/12	\$430,000	2,188	Lender sale; vacant; average condition
3	9741 Tallus Glen	2/29/12	\$450,000	1,858	Standard sale; upgraded/good condition
4	9774 Tallus Glen	3/2/12	\$465,000	2,188	Lender sale; vacant; good condition
5	16871 Saintsbury Glen	5/2/12	\$445,000	1,952	Lender sale; vacant; good condition
6	16728 Saintsbury Glen	6/29/12	\$410,000	1,952	Short sale; vacant; average condition
7	16752 Saintsbury Glen	9/26/12	\$440,000	1,858	Standard sale; good condition

VALUATION, Continuing

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Remarks</u>
8	16803 Saintsbury Glen	10/4/12	\$460,000	1,952	Short sale; vacant; good condition
9	16872 Saintsbury Glen	11/15/12	\$410,000	1,858	Short sale; upgraded/good cond.; resold as No. 11
10	9723 Tallus Glen	12/21/12	\$480,000	2,181	Short sale; upgraded/good condition
11	16872 Saintsbury Glen	2/20/13	\$479,000	1,858	Standard sale; upgraded/good cond.; resale of No. 9
12	9771 Tallus Glen	Pending	<u>\$465,000</u>	<u>1,858</u>	Short sale; average condition
			\$447,000	1,990	(Avg.)

It is noted that the average home size of 1,990 s.f. for these 12 sales is slightly smaller than the average of 2,044 s.f. for all 46 homes. It is also noted that 9 of the 12 sales were lender or short sales which tends to result in conservative sale prices and thus a significant negative impact on the average sale price. This is supported by Sale No. 9 which was a short sale in November 2012 at the price of \$410,000 and resold as a standard sale in February 2013 at the much higher price of \$479,000. Lastly, it is noted that 5 of the 12 sales took place close to or more than a year ago, and there could be at least a minor upward time adjustment since that time to these sales. Thus, the indication at \$447,000 supports a far lower limit as an average for all 46 homes.

Considering only the 3 standard sales, the average price is slightly higher at \$456,000 but the average size of 1,858 s.f. is much smaller since all 3 sales were of the smallest Plan 1 home. Considering also the dates of sale, the indication at \$456,000 also supports a far lower limit as an average for all 46 homes.

Next, consideration is given to recent standard sales of reasonably similar detached homes on small lots from the Amante, Garden Walk and Garden Gate neighborhoods in the nearby community of 4S Ranch, and tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Year Built</u>	<u>Remarks</u>
1	17082 New Rochelle	9/26/12	\$530,000	1,957	2005	Std. sale; good cond.; upgraded
2	17039 New Rochelle	10/12/12	\$539,000	1,957	2006	Std. sale; good cond.; some upgrades
3	17015 Ralphs Ranch	11/15/12	\$560,000	1,908	2006	Std. sale; good cond.; well upgraded
4	10132 Baylee	12/5/12	\$550,000	1,862	2003	Std. sale; good cond.; upgraded
5	17019 Ralphs Ranch	12/20/12	\$575,000	2,112	2006	Std. sale; good cond.; some upgrades
6	10525 Hollingsworth	1/15/13	<u>\$543,000</u>	<u>1,957</u>	2006	Std. sale; good cond.; some upgrades
			\$549,500	1,959		

VALUATION, Continuing

These are fairly similar small-lot detached products to the subject homes, however the location within 4S Ranch is considered to be superior. In addition, it is noted that the average home size of 1,959 s.f. is slightly smaller than the average of 2,044 s.f. for the 46 subject homes, but the smaller size is only partially offsetting to the superior location. Thus, this indication at \$549,500 supports a firm upper limit as an average for the subject homes.

Lastly, consideration is given to recent standard sales of reasonably similar homes from the Del Sur community, including the product types of Bridgewalk, Madeira and Pasado, and tabulated as follows:

No.	Address	Rec. Date	Price	Home Size	Year Built	Lot Size	Remarks
1	8457 Old Stonefield Chase	9/5/12	\$540,000	2,047	2009	3,598	Std. sale; good cond.; some upgrades
2	15491 Bristol Ridge	9/28/12	\$550,000	1,961	2007	2,477	Std. sale; good cond.; upgraded; view
3	8425 Kern Crescent	1/18/13	\$580,000	1,961	2007	3,275	Std. sale; good cond.; upgraded
4	8340 Kern Crescent	1/18/13	\$575,000	1,785	2007	4,011	Std. sale; good cond.; well upgraded
5	15563 Canton Ridge	2/12/13	<u>\$550,000</u>	<u>1,785</u>	2006	3,870	Std. sale; good cond.; upgraded
			±\$559,000	1,908			(Avg.)

These are fairly similar products but some homes are on larger lots and the location within Del Sur is considered to be superior. In addition, it is noted that average home size of 1,908 s.f. is slightly smaller than the average of 2,044 s.f. for the 46 subject homes. Thus, this indication at \$559,000 supports a firm upper limit.

In summary, the indications of average value for the 46 homes support far lower limits at \$445,000 and \$456,000 and firm upper limits at \$549,500 and \$559,000. The conclusion is an average value of \$480,000 for the 46 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

$$46 \text{ homes @ } \$480,000 = \$22,080,000$$

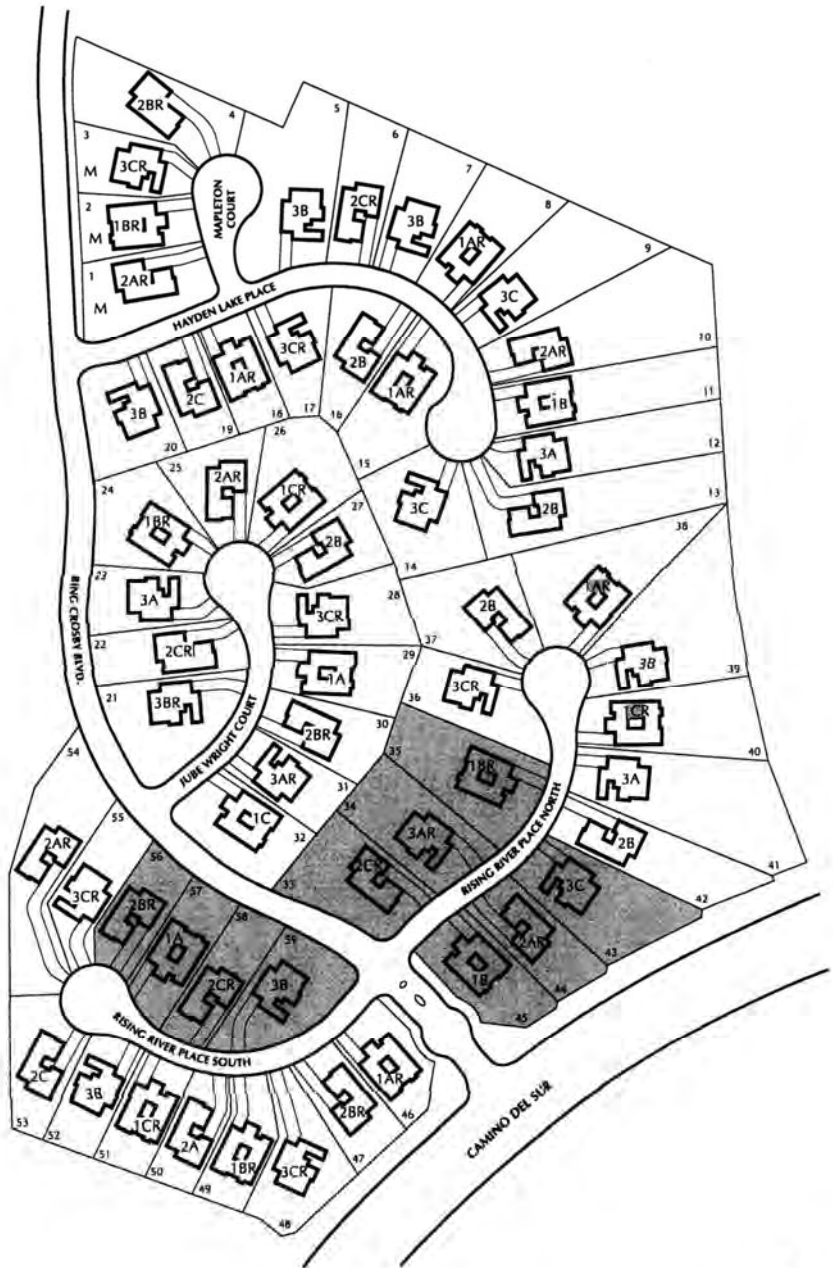
Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the La Vina product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$22,080,000

(TWENTY-TWO MILLION EIGHTY THOUSAND DOLLARS)

CFD NO. 12

MAP OF AVARON



AVARON
SITE PLAN
PHASE 2



AVARON

PROPERTY DATA

Location

This product type is located on the northwest side of Camino Del Sur at Bing Crosby Blvd. This neighborhood comprises the northwest part of the community of Del Sur, in the City of San Diego.

Record Owner/Ownership History

Standard Pacific Homes built and sold all 59 homes from 2006 through 2009. Thus, as of the March 15, 2013 date of value, all 59 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 59 lots comprising this product type are described as Lots 1 to 59 of Black Mountain Ranch North Cluster, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15090, recorded September 2, 2005.

Assessor Data

The 59 lots comprise Assessor Parcel Nos. 267-310-01 to 20, 267-311-01 to 25 and 267-312-01 to 14. The current assessed values range from \$151,577 to \$1,662,424 or an average of \$1,168,688. The tax rate area is 08-050 with an indicated tax rate of 1.04565%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.6% to 2.0% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 59 lots, which range in size from 10,479 s.f. to 34,412 s.f., or an average of 17,339 s.f.

Streets and Access

The primary access into this neighborhood is from Camino Del Sur to Bing Crosby Blvd. and with guard-gated access into and through the neighborhood. The in-tract streets are private and include a portion of Bing Crosby Blvd., Rising River Place South, Rising River Place North, Jube Wright Court, Hayden Lake Place and Mapleton Court.

PROPERTY DATA, Continuing

Topography/Views

The overall neighborhood is fairly flat, above grade of Camino Del Sur and the land to the south, resulting in territorial views to the south and southwest to some of the homes.

Description of Homes

These 59 lots have been developed with a product type of detached homes called Avaron. The homes were built by Standard Pacific Homes in 2006 through 2009. The primary neighborhood amenity is the guard-gated access.

There are three floor plans of homes that are described as follows:

Plan 1: 3,951 s.f., two-story, with 4 bedrooms, bonus room, library, 4½ baths, and 2-car and 1-car split garages; optional office at bedroom 2, optional game room at library and 1-car garage, and optional bedroom 5 at bonus room.

Plan 2: 4,778 s.f., two-story, with 5 bedrooms, retreat, library, bonus room, 4½ baths, and 3-car tandem garage; optional guest suite at bedroom 5 and tandem garage, optional loft at bedroom 3, and optional media room at bonus room and bedroom 4.

Plan 3: 4,197 to 4,491 s.f., two-story, with 5 bedrooms, bonus room, library, 4½ baths, and 2-car and 1-car split garages; optional office at bedroom 5, optional guest suite or game room (adds 216 s.f.), optional exercise room at deck (adds 78 s.f.), and optional retreat at bonus room.

Per building permit data, the 59 homes range in size from 3,951 s.f. to 4,958 s.f. or an average size of 4,286 s.f.

VALUATION

Analysis of 59 Homes

Primary consideration is given to the most recent resales of the subject product type, which are shown in the following table:

<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	15618 Hayden Lake Pl.	1/17/12	\$1,250,000	4,197	16,845	Standard sale; upgraded/good cond.; view
2	15610 Hayden Lake Pl.	4/9/12	\$1,200,000	4,197	25,265	Standard sale; upgraded/good cond.
3	15617 Rising River Pl. N	1/9/13	\$1,195,000	4,484	19,910	Standard sale; upgraded/good cond.
4	15603 Jube Wright Ct.	3/4/13	<u>\$1,145,000</u>	<u>3,951</u>	14,686	Standard sale; upgraded/good cond.
			\$1,197,500	4,207		(Avg.)

VALUATION, Continuing

It is noted that the average home size of 4,207 s.f. for these 4 sales is only slightly smaller than the average of 4,260 s.f. for all 59 homes. It is also noted that all 4 of the sales were standard sales, and fairly representative of the overall product type. However, it is noted that two of the sales took place about a year or more ago, and there could be at least a minor upward time adjustment to those sales. Thus, the indication at \$1,197,500 supports a close indication to close lower limit as an average for all 59 homes.

As previously discussed in CFD No. 4, recent standard sales of the Davidson at Santaluz product type support a firm lower limit at an average of \$1,085,000 due to the inferior quality/desirability and much smaller lots being more than offsetting to the larger average home size of 4,400 s.f. from the sales. In addition, the Avaron product type has more direct access as well as being in a separate guard-gated neighborhood.

Also as previously discussed in CFD No. 4, recent standard sales of the Belsera product type support a close indication to close lower limit at an average of \$1,198,000 due to the same factors as noted above for Davidson at Santaluz, though the average size of the Belsera sales is larger at 4,510 s.f., larger than the average of the subject homes.

Lastly, as discussed later in CFD No. 13, recent standard sales of homes in the west and northwest areas support a far upper limit at \$1,498,000 due to being much larger homes at an average size of 4,737 s.f., on much larger lots and a superior location.

In summary, the indications of average value for the subject homes support a firm lower limit at \$1,085,000, close indications to close lower limits at \$1,197,500 and \$1,198,000, and a far upper limit at \$1,498,000. The conclusion is an average value of \$1,200,000 for the 59 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

$$59 \text{ homes @ } \$1,200,000 = \$70,800,000$$

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 Avaron product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$70,800,000

(SEVENTY MILLION EIGHT HUNDRED THOUSAND DOLLARS)

MAP OF GABLES CROSSING



GABLES CROSSING

PROPERTY DATA

Location

This product type is located on both sides of Artesian Rd., extending east from Artesian Trail to near Camino Del Sur. This neighborhood is at the west side of the community of Del Sur, in the City of San Diego.

Record Owner/Ownership History

The master developer of Del Sur began selling these custom lots in 2006 to several individuals but mostly to a custom home builder. Subsequently, completed homes as well as vacant lots have been sold by the custom home builder. As of the March 15, 2013 date of value all 30 of the lots were owned by individual owners, and there have only been a few resales of completed homes.

Legal Description

The 30 lots comprising this product type are described as Lots 13 to 23, 26 to 38, 49 to 52, 69 & 70 of Black Mountain Ranch West Cluster Unit No. 2, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15328, recorded April 28, 2006.

Assessor Data

The 30 lots comprise Assessor Parcel Nos. 267-380-01 to 05, 21 & 22 and 267-381-01 to 08, 11 to 21 & 30 to 33. The current assessed values range from \$17,824 to \$2,027,654 or an average of \$1,182,270, with the low end reflecting vacant lots and not the current status of construction. The tax rate area is 08-050 with an indicated tax rate of 1.04565%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.5% to 2.0% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 30 lots, which range in size from 37,462 s.f. to 117,176 s.f. or 2.69 acres, or an average of 49,847 s.f. or 1.14 acres.

Streets and Access

The primary access into this neighborhood is from Camino Del Sur to Artesian Rd. and into the main part of the neighborhood at Artesian Gate Way. The in-tract streets are private and include Artesian Gate Way, Artesian Spring Rd. and Artesian Ridge Rd.

PROPERTY DATA, Continuing

Topography/Views

The overall neighborhood is fairly flat and with a gradual slope or terracing down to the south/southwest. However, there are only minimal territorial views to homes around the perimeter of the neighborhood.

Description of Homes/Status of Construction

These 30 lots have been and are still being developed with semi-custom/custom homes, in a neighborhood name called Gables Crossing. All but four of the homes have been built by McCullough-Ames Development, Inc. or McCullough Design and Development, with construction starting in 2006 and continuing at current date. Amenities of the neighborhood include gated access from Artesian Rd., plus much greenbelt and open space, and territorial/canyon views to many of the homes.

As of the March 15, 2013 date of value, there are 26 completed homes and 4 homes under construction. Per building permit data, the 26 homes range in size from 4,320 s.f. to 6,990 s.f. or an average size of 5,074 s.f. The 4 homes under construction were an average of ± 50 -60% completed, and range in size from 4,090 s.f. to 6,215 s.f. or an average size of 5,120 s.f.

VALUATION

Analysis of 26 Completed Homes

Primary consideration is given to the most recent resales of the subject product type, and the only two recent sales are discussed as follows:

15464 Artesian Spring Rd.: Standard sale closed 7/25/12 at a price of \$1,750,000 for a 4,500 s.f. home that was built in 2011 on a 40,511 s.f. lot. The home included many upgraded features, good yard improvements and a territorial/canyon view.

15476 Artesian Spring Rd.: Standard sale closed 8/23/11 at a price of \$1,900,000 for a 4,562 s.f. home that was built in 2009 on a 48,787 s.f. or 1.12 acre lot. The lot includes a territorial/canyon view but no multiple listing data was available as to other details about the property or the sale.

It is evident that both of these homes are somewhat smaller than the average of 5,074 s.f. for all 26 homes, though they are fairly typical in terms of quality, condition, lot size and view. Thus, these indications at \$1,750,000 and \$1,900,000 would tend to support close lower limits as an average for all 26 homes.

There is also one current listing in this neighborhood, as follows:

VALUATION, Continuing

15469 Artesian Spring Rd.: Listing commenced 12/12/12 with a current asking price range of \$1,699,000 to \$1,899,000 for a 4,800 s.f. home that was built in 2007 on a 44,431 s.f. or 1.02 acre lot. The home is well upgraded and in good condition, including a well-improved back yard with outdoor kitchen, firepit, pool & spa, but no view. There has been a good amount of interest in the home and two offers but below the price desired by the seller.

This home is only slightly smaller than the average of 5,074 s.f. for all 26 homes, but inferior to many of the homes due to no view. The offers would tend to suggest a price of under \pm \$1,700,000, which is lower than the two sales discussed previously, though partly due to the lack of view and less desirable location within the neighborhood.

As previously discussed in CFD No. 4 for the Belsera product type, the recent standard sales indicated an average price of \$1,198,000 for an average home size of 4,510 s.f. This average price supports a far lower limit for the subject homes due to the inferior quality/desirability of the homes as well as the smaller average home size and much smaller lots.

Also as previously discussed in CFD No. 4 for the Posadas product type, the recent standard sales indicated an average price of \$1,863,000 for an average home size of 5,272 s.f. This average price supports a firm upper limit for the subject homes due to the slightly larger average home size as well as the superior location within Santaluz and the superior views to many of the homes.

Lastly, as previously discussed for the Avaron product type, the recent standard sales indicated an average price of \$1,197,500 for an average home size of 4,207 s.f. This indicated average price supports a far lower limit for the subject homes due to the much smaller average home size as well as the much smaller lot sizes and inferior quality/desirability of the homes.

In summary, the indications of average value for the 26 subject homes support far lower limits at \$1,197,500 and \$1,198,000 and a firm upper limit at \$1,893,000, with general indications from within the subject neighborhood from just below \$1,700,000 to \$1,900,000. However, limited weight is given to the sale in the subject neighborhood at \$1,900,000. The conclusion is an average value of \$1,750,000 for the 26 completed homes.

Analysis of 4 Homes Under Construction

This analysis is similar to that of the homes under construction in the Custom Homes product type in CFD No. 4. As previously indicated, these 4 homes are estimated to be an average of 50-60% completed, say a conservative average of 50% completion, and an average size of 5,120 s.f. Thus, the cost estimate is based on 50% average completion at \$200.00 per s.f. or \$100.00 per s.f. applied to an average home size of 5,120 s.f., or an average cost amount rounded down to \$500,000.

VALUATION, Continuing

As to the average value of the vacant lots for these 4 homes under construction, it is noted that the builder has already sold these lots to individual homeowners and then is constructing the homes on a build-to-suit basis. All 4 of the lots were sold by McCullough Design & Development in November 2012 at prices ranging from \$437,000 to \$545,000 or an average of \$475,500. A representative of McCullough indicated that these prices were the same as what they paid to the master developer (Black Mountain Ranch, LLC) to acquire the lots. However, Assessor data indicates that McCullough purchased these 4 lots from Black Mountain in August 2012 at prices ranging from \$460,000 to \$555,000 or an average of \$500,000.

As previously discussed in CFD No. 4 for the Custom Homes product type, recent sales of the lots within the main Santaluz area ranged from \$230,000 to \$1,442,500 or an average of \$702,000, and recent sales of lots in the northwest area ranged from \$200,000 to \$440,000 or an average of \$325,000. The low end of both ranges tended to be the less desirable lots, lender sales or aberrations in the market, and the high end of the range in the main Santaluz area are far superior due to the golf course frontage and/or good views. It is concluded that the high end of the range from the northwest part is more supportable for the subject lots, and the average from the main Santaluz area supports a far upper limit.

In summary, the conclusion of average lot value is \$475,000.

Thus, the indication for the 4 homes under construction is an average cost amount of \$500,000 and an average lot value of \$475,000, or a total of \$975,000.

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

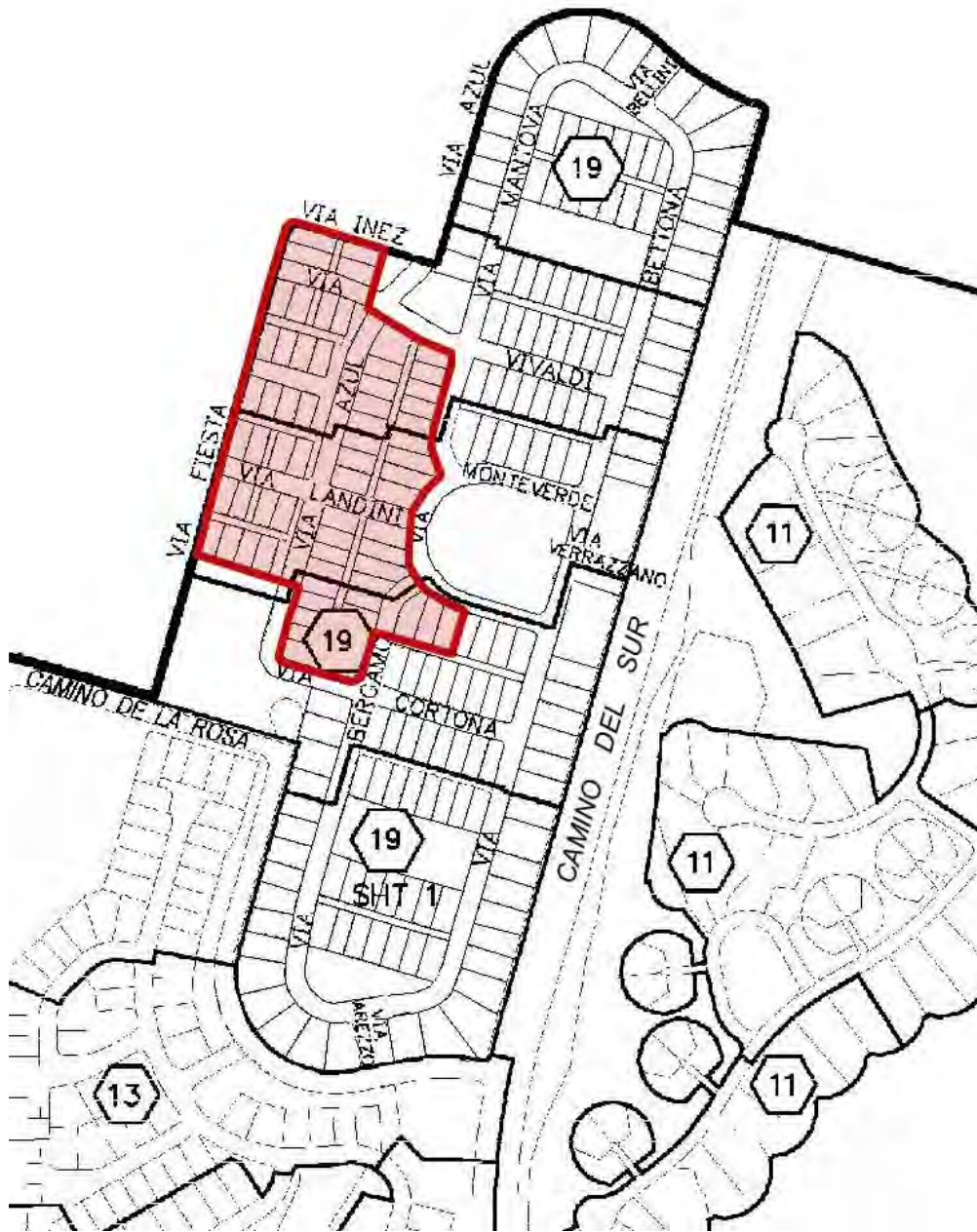
26 completed homes @ \$1,750,000 =	\$45,500,000
4 homes under construction @ \$975,000 =	<u>\$ 3,900,000</u>
	\$49,400,000

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 Gables Crossing product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$49,400,000

(FORTY-NINE MILLION FOUR HUNDRED THOUSAND DOLLARS)

MAP OF CORTILES



CORTILES

PROPERTY DATA

Location

This product type is located within the overall neighborhood called Verrazzano, which is adjacent to the west and north of but not a part of the Santaluz community. This neighborhood is located along the northwest side of Camino Del Sur at Via Verrazzano, extending westerly to Via Fiesta. This Cortiles product type comprises the west central part of the neighborhood.

Record Owner/Ownership History

Shea Homes built and sold all 66 homes from 2002 through 2003. Thus, as of the March 15, 2013 date of value, all 66 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 66 lots comprising this product type are described as Lots 115 to 117 and 156 to 218 of Black Mountain Ranch South Village, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 14338, recorded January 24, 2002.

Assessor Data

The 66 lots comprise Assessor Parcel Nos. 303-191-15 to 17 & 34 to 43, 303-192-10 to 36 and 303-193-35 to 60. The current assessed values range from \$387,148 to \$841,000 or an average of \$653,392. The tax rate area is 08-187 with an indicated tax rate of 1.02215%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.5% to 1.7% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 66 lots, which range in size from 4,558 s.f. to 9,537 s.f., or an average of 5,669 s.f.

Streets and Access

As previously indicated, the primary access into this overall neighborhood is from Camino Del Sur to Via Verrazzano. The subject homes are located on Via Azul, Via Bergamo, Via Monteverde, Via Landini, Via Mantova, Via Vivaldi, Soprano, Sondrio, Corelli and Crescendo.

PROPERTY DATA, Continuing

Topography/Views

The overall neighborhood is fairly flat, with no significant views to any of the homes.

Description of Homes

These 66 lots have been developed with a product type of detached homes called Cortiles. The homes were built by Shea Homes in 2002 through 2003. Amenities of the neighborhood include a monument entry, three parks and small greenbelt areas.

There are three floor plans of homes that are described as follows:

Plan 1: 2,576 s.f., two-story, with 3 bedrooms, 2½ baths, and 2-car garage.

Plan 2: 2,682 s.f., two-story, with 4 bedrooms, 3½ baths, and 2-car garage.

Plan 3: 2,862 s.f., two-story, with 4 bedrooms, 3½ baths, and 2-car garage.

Per building permit data, the 66 homes range in size from 2,576 s.f. to 2,862 s.f. or an average size of 2,706 s.f.

VALUATION

Analysis of 66 Homes

Primary consideration is given to the most recent resales of the subject product type, which are shown in the following table:

<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	7579 Crescendo Ln.	3/16/11	\$785,000	2,682	5,100	Standard sale; good condition
2	14675 Via Azul	6/3/11	\$805,000	2,682	5,400	Standard sale; highly upgraded/good cond.
3	7564 Via Landini	7/25/11	\$740,000	2,576	5,350	Standard sale; upgraded/good cond.
4	7556 Via Landini	7/9/12	\$655,000	2,862	6,201	Lender sale; vacant; average condition
5	14671 Via Azul	8/16/12	\$760,000	2,862	6,617	Standard sale; good condition
6	7557 Corelli Ln.	Pending	<u>±\$700,000</u>	<u>2,682</u>	6,004	Short sale; good condition
			±\$741,000	2,724		(Avg.)

It is noted that the average home size of 2,724 s.f. for these 6 sales is only slightly larger than the average of 2,706 s.f. for all 66 homes. It is also noted that 2 of the 6 sales were lender or short sales and at significantly discounted prices, which

VALUATION, Continuing

negatively impacts the average price. In addition, it is noted that 3 of the sales took place in early to mid 2011, thus these sales could also reflect conservative prices at current date. Overall, the indication at \$741,000 supports a firm lower limit as an average for all 66 homes.

Considering only the 4 standard sales, the average price is much higher at \$772,500 and for a smaller average size of 2,701 s.f. though similar to the average size of all 66 homes. Considering the dates of sale, the indication at \$772,500 supports a close indication to close lower limit as an average for all 66 homes.

As discussed next for the Patria product type, the 3 standard sales indicated an average price of \$739,000 for an average size of 3,146 s.f., which is a much lower average price than indicated by the standard sales of the subject homes and for a significantly larger average size. However, one of the standard sales appeared to be at a very conservative price, thus negatively impacting the average. The other 2 standard sales indicate an average price of \$766,000 for an average size of 3,180 s.f., still much larger than the average of the subject homes. While this would tend to support an upper limit for the subject homes, it is evident that the subject Cortiles product type tends to be more desirable than the Patria product type.

As discussed later for the Palazzo product type, the recent standard sales support a far upper limit for the subject homes at an average of \$837,000 due to the significantly larger average home size of 3,699 s.f. from those sales, and also on much larger lots.

As previously discussed in CFD No. 4, recent standard sales of the Spanish Bungalows product type support a firm upper limit at an average of \$819,000, due to the larger average size of 3,007 s.f. from those sales, as well as the superior factors of the larger lots and the location within the gated community of Santaluz.

In summary, the indications of average value for the subject homes support a firm lower limit at \$741,000, a close indication to close lower limit \$772,500, a close upper limit at \$766,000, and firm upper limits at \$819,000 and \$837,000. The conclusion is an average value of \$770,000 for the 66 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

$$66 \text{ homes @ } \$770,000 = \$50,820,000$$

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 Cortiles product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$50,820,000

(FIFTY MILLION EIGHT HUNDRED TWENTY THOUSAND DOLLARS)

MAP OF PATRIA



PATRIA

PROPERTY DATA

Location

This product type is also located within the overall neighborhood called Verrazzano, and comprises the central part of the neighborhood.

Record Owner/Ownership History

Shea Homes built and sold all 87 homes from 2002 through 2003. Thus, as of the March 15, 2013 date of value, all 87 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 87 lots comprising this product type are described as Lots 66 to 114 and 118 to 155 of Black Mountain Ranch South Village, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 14338, recorded January 24, 2002.

Assessor Data

The 87 lots comprise Assessor Parcel Nos. 303-190-24 to 45, 303-191-11 to 14 & 18 to 33, 303-192-03 to 09, 303-193-11 to 34 and 303-194-21 to 34. The current assessed values range from \$473,309 to \$930,000 or an average of \$730,740. The tax rate area is 08-187 with an indicated tax rate of 1.02215%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.6% to 1.9% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 87 lots, which range in size from 5,400 s.f. to 8,584 s.f., or an average of 5,990 s.f.

Streets and Access

The primary access into this overall neighborhood is from Camino Del Sur to Via Verrazzano. The subject homes are located on Allegro Ln., Sonata Ln., Via Vivaldi, Via Monteverde, Via Cortona, Cantata Ln. and Concerto Ln.

Topography/Views

The overall neighborhood is fairly flat, with no significant views to any of the homes.

PROPERTY DATA, Continuing

Description of Homes

These 87 lots have been developed with a product type of detached homes called Patria. The homes were built by Shea Homes in 2002 through 2003. Amenities of the neighborhood are the same as for the Cortiles product including the monument entry, three parks and other small greenbelt areas.

There are three floor plans of homes that are described as follows:

Plan 1: 3,023 s.f., two-story, with 3 bedroom plus den or 4 bedrooms, 3½ baths, and 2-car garage.

Plan 2: 3,078 s.f., two-story, with 3 to 5 bedrooms (den or bedroom 4 and bonus or bedroom 5), 3½ baths, and expanded 2-car garage with storage.

Plan 3: 3,337 s.f., two-story, with 3 to 5 bedrooms (optional retreat, den or loft), 3½ baths, and split 2-car and 1-car garages with optional casita at 1-car garage.

Per building permit data, the 87 homes range in size from 3,023 s.f. to 3,623 s.f. or an average size of 3,163 s.f.

VALUATION

Analysis of 87 Homes

Primary consideration is given to the most recent resales of the subject product type, which are shown in the following table:

<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	7674 Sonata Ln.	3/29/12	\$785,000	3,337	5,640	Standard sale; upgraded/good condition
2	7678 Via Vivaldi	4/3/12	\$746,500	3,023	5,640	Standard sale; upgraded/good condition
3	7677 Via Vivaldi	4/16/12	\$683,000	3,023	5,580	Short sale; upgraded/good condition
4	7687 Via Vivaldi	4/27/12	\$725,000	3,078	5,640	Short sale; upgraded/good condition
5	7727 Via Cortona	5/8/12	\$700,000	3,023	5,738	Short sale; upgraded/good condition
6	7717 Via Cortona	12/5/12	\$685,000	3,078	5,592	Standard sale; good cond.; relocation sale
7	7658 Via Cortona	12/6/12	<u>\$750,000</u>	<u>3,337</u>	6,555	Short sale; good condition
			\$725,000	3,128		(Avg.)

It is noted that the average home size of 3,128 s.f. for these 7 sales is somewhat smaller than the average of 3,163 s.f. for all 87 homes. It is also noted that 4 of the 7 sales were short sales which would tend to result in conservative prices and a

VALUATION, Continuing

negative impact on the average price. In addition, 5 of the sales took place close to a year ago, thus there could be an upward time adjustment to these sales. Thus, the indication at \$725,000 supports a far lower limit as an average for all 87 homes.

Considering only the 3 standard sales, the average price is slightly higher at \$739,000, and for a slightly larger average home size of 3,146 s.f., which is still slightly smaller than the average of 3,163 s.f. for all 87 homes. However, it is noted that Data No. 6 was a sale by a relocation company, thus while it is a standard sale it appears to be well on the conservative side. Deleting that sale results in an average price of \$766,000 for an average size of 3,180 s.f., with both sales having taken place close to a year ago. Overall, the indication at \$739,000 supports a closer but still firm lower limit as an average for all 87 homes and the indication at \$766,000 supports a close indication to close lower limit.

As previously discussed for the Cortiles product type, the 4 standard sales indicated an average price of \$772,500 for an average size of 2,701 s.f., which is a much smaller average size than the Patria homes, but a higher average price. This appears to reflect greater desirability of the Cortiles product type than the subject Patria product type. Thus, the indication at \$772,500 is concluded to support a fairly close indication for the subject homes.

As discussed next for the Palazzo product type, the 4 standard sales indicate an average of \$837,000 for an average home size of 3,699 s.f., which supports a far upper limit for the subject homes due to the much larger size and on larger lots.

As previously discussed in CFD No. 4, recent standard sales of the Spanish Bungalows product type support a close but firm upper limit at an average of \$819,000, due to the smaller average size of 3,007 s.f. from those sales which is more than offset by the superior factors of the larger lots and being within the gated community of Santaluz.

In summary, the indications of average value for the subject homes support a far lower limit at \$725,000, a closer but still firm lower limit at \$739,000, close indications at \$766,000 and \$772,500, a firm upper limit at \$819,000 and a far upper limit at \$837,000. The conclusion is an average value of \$770,000 for the 87 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

$$87 \text{ homes @ } \$770,000 = \$66,990,000$$

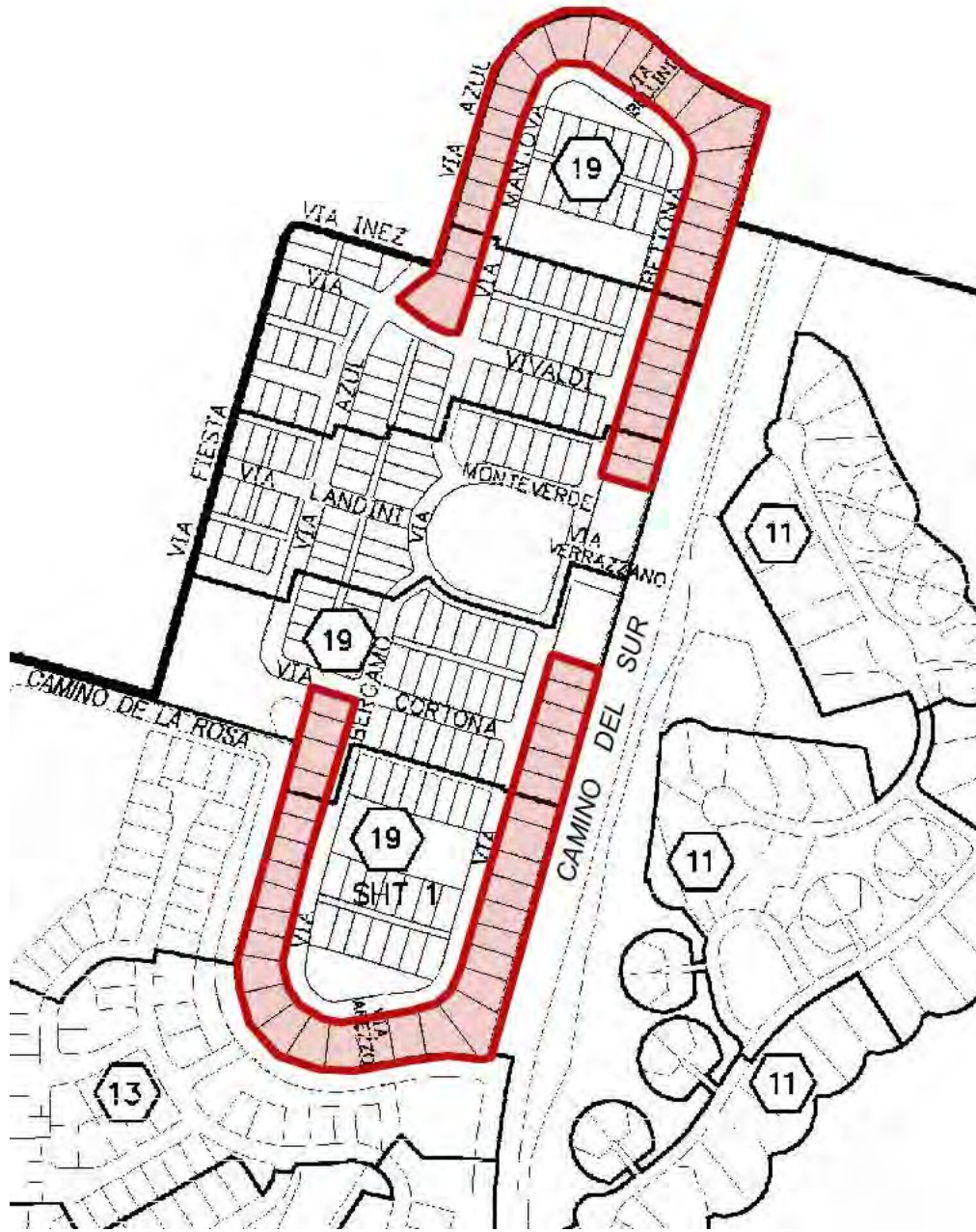
VALUATION, Continuing

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 Patria product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$66,990,000

(SIXTY-SIX MILLION NINE HUNDRED NINETY THOUSAND DOLLARS)

MAP OF PALAZZO



PALAZZO

PROPERTY DATA

Location

This product type is also located within the overall neighborhood called Verrazzano, and comprises most of the perimeter lots around the neighborhood except for the westerly side along Via Fiesta.

Record Owner/Ownership History

Shea Homes built and sold all 65 homes from 2002 through 2003. Thus, as of the March 15, 2013 date of value, all 65 of the homes were owned by individual owners, and many resales have taken place since the original builder sales.

Legal Description

The 65 lots comprising this product type are described as Lots 1 to 65 of Black Mountain Ranch South Village, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 14338, recorded January 24, 2002.

Assessor Data

The 65 lots comprise Assessor Parcel Nos. 303-190-01 to 23, 303-191-01 to 10, 303-192-01 & 02, 303-193-01 to 10 and 303-194-01 to 20. The current assessed values range from \$636,000 to \$1,057,906 or an average of \$825,939. The tax rate area is 08-187 with an indicated tax rate of 1.02215%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.7% to 1.8% based on the average appraised value.

No. of Lots/Lot Sizes

This product type comprises a total of 65 lots, which range in size from 7,930 s.f. to 16,127 s.f., or an average of 9,799 s.f.

Streets and Access

The primary access into this overall neighborhood is from Camino Del Sur to Via Verrazzano. The subject homes are located on Via Bergamo, Via Bettona and Via Mantova.

Topography/Views

The overall neighborhood is fairly flat, with no significant views to any of the homes.

PROPERTY DATA, Continuing

Description of Homes

These 65 lots have been developed with a product type of detached homes called Palazzo. The homes were built by Shea Homes in 2002 through 2003. Amenities of the neighborhood are the same as for the Cortiles and Patria products including the monument entry, three parks and other small greenbelt areas.

There are three floor plans of homes that are described as follows:

Plan 1: 3,611 s.f., two-story, with 4 to 5 bedrooms, 4½ baths, and 2 or 3-car garage.

Plan 2: 3,704 s.f., two-story, with 4 to 5 bedrooms, 4½ baths, and 2 or 3-car garage.

Plan 3: 3,749 s.f., two-story, with 5 to 6 bedrooms, 4½ baths, and 2 or 3-car garage.

Per building permit data, the 65 homes range in size from 3,611 s.f. to 3,787 s.f. or an average size of 3,704 s.f.

VALUATION

Analysis of 65 Homes

Primary consideration is given to the most recent resales of the subject product type, which are shown in the following table:

<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	14586 Via Bergamo	5/1/12	\$715,000	3,699	8,825	Standard sale; average condition
2	14764 Via Mantova	5/25/12	\$700,000	3,611	8,388	Short sale; upgraded/good condition
3	14785 Via Bettona	8/3/12	\$969,000	3,699	10,146	Standard sale; highly upgraded/good cond.
4	14590 Via Bergamo	12/7/12	\$900,000	3,787	8,696	Standard sale; upgraded/good condition
5	14727 Via Bettona	2/28/13	\$765,000	3,611	8,580	Standard sale; vacant; average condition
6	14756 Via Mantova	Pending	<u>\$759,000</u>	<u>3,699</u>	8,438	Short sale; vacant; below average cond.
			\$801,000	3,684		(Avg.)

It is noted that the average home size of 3,684 s.f. for these 6 sales is only slightly smaller than the average of 3,704 s.f. for all 65 homes. It is also noted that 2 of the 6 sales were short sales which would tend to result in conservative prices and a negative impact on the average price. In addition, 2 of the sales took place close to a year ago, thus there could be an upward time adjustment to these sales. Thus, the indication at \$801,000 supports a firm lower limit as an average for all 65 homes.

VALUATION, Continuing

Considering only the 4 standard sales, the average price is significantly higher at \$837,000, and for a slightly larger average home size of 3,699 s.f., which is slightly larger than the average of 3,684 s.f. for all 65 homes. However, it is noted that while Data No. 1 was a standard sale, it appears that the price was well on the conservative side. In addition, Data Nos. 3 and 4 are well upgraded and have views, thus are superior to the average home of the product type. Overall, the indication at \$837,000 supports a fairly close indication as an average for all 65 homes.

As previously discussed for the Cortiles and Patria product types, the recent standard sales would support far lower limits for the subject homes at \$766,000 and \$772,500 due to the much smaller home sizes as well as the much smaller lot sizes.

As previously discussed in CFD No. 4, recent standard sales of the Spanish Bungalows product type support a firm lower limit at an average of \$819,000, due to the much smaller average size of 3,007 s.f. from those sales which is only partially offset by the superior factor of the location within the gated community of Santaluz. In addition, the recent standard sales of the Garden Homes product type support a far upper limit at an average of \$893,000 due to the slightly smaller average size of 3,480 s.f. from those sales being more than offset by the superior Santaluz location.

In summary, the indications of average value for the subject homes support far lower limits at \$766,000 and \$772,500, firm lower limits at \$801,000 and \$819,000, a close indication at \$837,000, and a far upper limit at \$893,000. The conclusion is an average value of \$830,000 for the 65 homes.

Conclusion of Value

Based on the foregoing, the value indication for the subject product type in its as is condition, is calculated as follows:

$$65 \text{ homes @ } \$830,000 = \$53,950,000$$

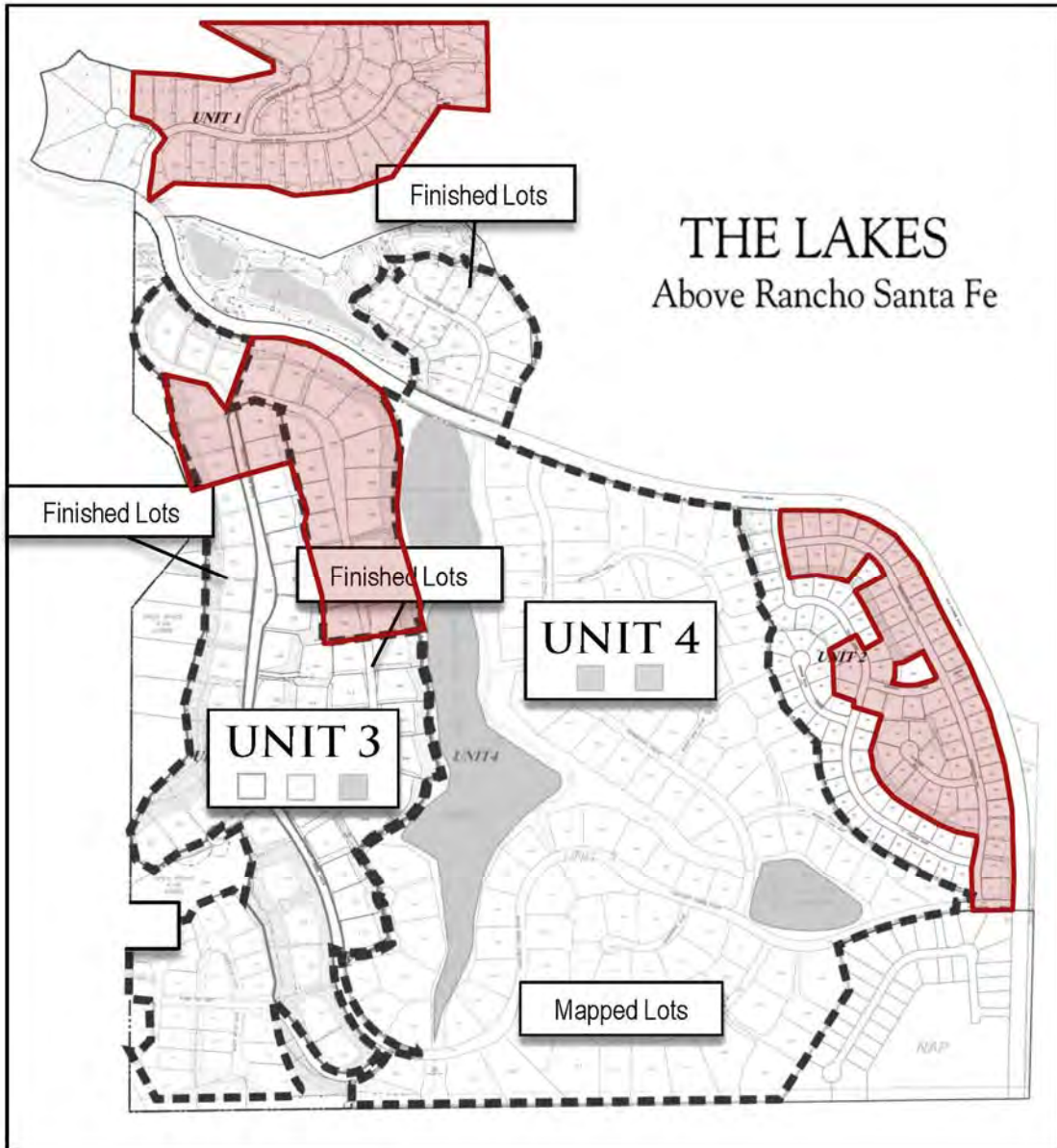
Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Palazzo product type, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$53,950,000

(FIFTY-THREE MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS)

CFD NO. 13

MAP OF THE LAKES ABOVE RANCHO SANTA FE



THE LAKES ABOVE RANCHO SANTA FE

PROPERTY DATA

Location

The taxable parcels in CFD No. 13 are located within the master-planned and guard-gated community of The Lakes Above Rancho Santa Fe. This community is located to the northwest of the intersection of Camino Del Sur and Old Course Rd., and on both sides of Old Course Rd. as it curves to the northwest. This location is in unincorporated San Diego County, adjacent to the north of the City Limits of San Diego, and with a San Diego address.

More specifically, the parcels in the northwest part of the community (referred to as Unit 1) are located north of Old Course Rd. at Reflections Cr.; the parcels at the west side of the community (referred to as Unit 3) are located south of Old Course Rd. at Crescent Creek Dr.; and the parcels at the east side of the community (referred to as Unit 2) are located along the south and west sides of Old Course Rd. at Goldenaire Way, Almanor Way and Crescent Creek Dr. (at the southeast end).

Record Owner/Ownership History

Lennar Homes of California built and sold 103 of the homes from November 2007 through October 2012 and are currently under construction on 5 homes. Thus, as of the March 15, 2013 date of value, there are a total of 103 completed-sold homes owned by individual homeowners, and 5 homes under construction owned by Lennar Homes. Subsequent to the builder sales of the completed homes there have been a number of resales.

Legal Description

The 108 lots comprising this community are described as follows:

Lots 6 to 33 of County of San Diego Tract 5069-1, in the County of San Diego, State of California, according to Map thereof No. 15365, recorded June 23, 2006.

Lots 44 to 46, 81 to 100, 107 to 110 & 112 to 142 of County of San Diego Tract 5069-2, in the County of San Diego, State of California, according to Map thereof No. 15523, recorded March 2, 2007.

Lots 155 to 164, 193 to 197 & 216 to 222 of County of San Diego Tract 5069-3, in the County of San Diego, State of California, according to Map thereof No. 15583, recorded July 27, 2007.

Assessor Data

The 108 lots comprise the following Assessor Parcel Nos.:

PROPERTY DATA, Continuing

267-390-06 to 33
267-420-10, 17 to 20 & 22 to 36
267-421-01, 02 & 20 to 43
267-422-18 to 29
267-430-04 to 11, 15 to 19 & 24 to 28
267-431-01, 02, 34 & 35

The current assessed values range from \$250,000 to \$2,003,222 or an average of \$981,583. It is noted that the low end of the range is from 20 of the parcels in which the assessed value is of land only and does not yet reflect the completed home construction. The tax rate area is 64-110 with an indicated tax rate of 1.09565%, but the total or effective tax rate, including special taxes for this CFD, is approximately 1.5% to 1.8% based on the average appraised value.

No. of Lots/Lot Sizes

There are a total of 108 lots, which range in size from 9,393 s.f. to 108,900 s.f. (2.5 acres), or an average of 24,228 s.f. (.56 acre). The 50 lots comprising the northwest and west parts of the community range in size from 21,780 s.f. to 108,900 s.f. or an average of 37,827 s.f. (.87 acre), and the 58 lots comprising the east side of the community range in size from 9,393 s.f. to 20,308 s.f. or an average of 12,505 s.f.

Streets and Access

The primary access into this community is from Camino Del Sur to Old Course Rd. and northerly into and through the community. Secondary access at the northwest side is from Bing Crosby Blvd. to Old Course Rd.

The homes in the northwest part of the community are located on Reflections Cr., City Lights Way and Outlook Point Dr.; the homes in the west part of the community are located on Crescent Creek Dr. and The Landing Way; and the homes in the east part of the community are located on Herrington Way, Tillage Ln., Almanor Way and Bluestar Way.

Topography/Views

This community is in a rolling/hilly area in which the northwest part of the community is situated on a higher ridge that slopes up to the east, such that many homes have good views to the south over the lakes and various other homes have territorial views to the northwest/west. The west part of the community is also located on a higher area that slopes up to the south, such that the lots along the west side have territorial views to the west and over a portion of the adjacent golf course and lots along the east side have territorial views over the canyon area. The east part of the community is in a lower area that slopes down to the north/northwest, with minor territorial views to a limited number of lots.

PROPERTY DATA, Continuing

Description of Homes/Status of Construction

Lennar Homes built various product types of homes, including Claybourne, Espada and Revena, in small numbers on 69 of these lots from late 2006 through mid-2008. An additional 34 homes were built in 2011 through the Fall of 2012 which were mostly the Belleza and Sereno product types located in the east part of the community. In addition, there are 5 homes under construction which are about 50% completed in the west part of the community, which are of the new Estrella and Sevilla product types.

Thus, as of the March 15, 2013 date of value, there are 103 completed-sold homes, with the builder sales closing from November 2007 through October 2012, and 5 homes under construction.

For appraisal purposes, the completed-sold homes are segregated into the 45 homes on the $\pm\frac{1}{2}$ -acre minimum size lots in the northwest and west parts of the community, and the 58 homes on the $\pm 9,400$ s.f. minimum size lots in the east part of the community. Per building permit data, the homes for these two categories are indicated as follows:

45 Homes: 3,516 s.f. to 5,628 s.f. or an average of 4,491 s.f.

58 Homes: 2,597 s.f. to 4,548 s.f. or an average of 3,316 s.f.

Lastly, it is noted that the 5 homes under construction range in size from 3,867 s.f. to 5,305 s.f. or an average of 4,404 s.f.

VALUATION

Analysis of 45 Completed-Sold Homes (Northwest and West Areas)

Primary consideration is given to the most recent resales of these homes, which are shown in the following table:

<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	8330 The Landing Way	3/29/12	\$1,660,000	5,628	41,382	Std sale; upgraded/good cond.; minor view
2	8269 The Landing Way	5/30/12	\$1,175,000	4,470	23,087	Std sale; upgraded/good cond.; no view
3	8232 The Landing Way	7/23/12	\$1,395,000	4,470	51,401	Std sale; upgraded/good cond.; good view
4	8245 The Landing Way	12/20/12	\$1,660,000	4,545	30,056	Std sale; upgraded/good cond.; minor view
5	17155 Reflections Cr.	1/4/13	<u>\$1,600,000</u>	<u>4,570</u>	45,738	Std sale; upgraded/good cond.; good view
			\$1,498,000	4,737		(Avg.)

VALUATION, Continuing

It is noted that the average home size of 4,737 s.f. for these 5 sales is somewhat larger than the average of 4,491 s.f. for all 45 homes, and all were standard sales. All of the homes were upgraded and in good condition which is typical of all 45 homes, and the views ranged from none to good views over the lakes, which is also typical of all 45 homes. Lastly, 2 of the sales took place close to a year ago, thus there could be at least a minor upward time adjustment to those sales. Thus, the indication at \$1,498,000 supports a close indication to close upper limit as an average for all 45 homes.

As previously discussed in CFD No. 4, the recent standard sales for the Belsera product type indicate an average price of \$1,198,000 for an average home size of 4,510 s.f. While the average home size is similar to the subject homes, the product type is inferior in quality/desirability, the lots are significantly smaller, the views are inferior and the location is in the secondary part of Santaluz, across Camino Del Sur from the main part of the community. Thus, the indication at \$1,198,000 supports a far lower limit for the subject homes.

Also as previously discussed in CFD No. 4, the recent standard sales for the Posadas product type indicate an average price of \$1,863,000 for an average home size of 5,272 s.f. This product type is far superior to the subject homes due to the much larger average home size, the much larger lot sizes, the superior views, and the more desirable location in the main part of Santaluz. Thus, the indication at \$1,863,000 supports a far upper limit for the subject homes.

Lastly, as previously discussed in CFD No. 12, recent standard sales of the Avaron product type indicate an average price of \$1,197,500 for an average home size of 4,207 s.f. This is a smaller average home size than the subject homes, the lots are much smaller, the views are far inferior, and the general location is inferior. Thus, the indication at \$1,197,500 supports a far lower limit as an average for the subject homes.

In summary, the indications of average value for the subject homes support far lower limits at \$1,197,500 and \$1,198,000, a close indication to close upper limit at \$1,498,000, and a far upper limit at \$1,863,000. The conclusion is an average value of \$1,450,000 for the 45 homes.

Analysis of 58 Completed-Sold Homes (East Area)

The 33 builder sales of new homes that closed from July 2011 through November 2012 had indicated sale prices ranging from \$730,000 to \$866,000 or an average of \pm \$782,000, for an average home size of 3,186 s.f. Considering only the 24 builder sales that closed in 2012, the indicated price range was the same with an average price of \pm \$784,000, and for a similar average home size of 3,190 s.f. It is noted that this average size is significantly smaller than the average of 3,316 s.f. for all 58

VALUATION, Continuing

homes since these more recent builder sales were of the smaller homes built in this east area. In addition, many of the sales took place close to and over a year ago, thus there could be at least a minor upward time adjustment to many of the sales. Overall, the indications at an average of \$782,000 to \$784,000 support a far lower limit as an average for all 58 homes.

Next, consideration is given to the most recent resales of homes from this area, which are shown in the following table:

<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	8610 Herrington Way	3/29/12	\$1,120,000	4,071	11,115	Std sale; upgraded/good cond.; minor view
2	8719 Herrington Way	5/11/12	\$849,000	2,597	10,188	Std sale; minor upgrades; good cond.
3	8646 Herrington Way	9/11/12	\$899,000	3,437	12,343	Std sale; upgraded/good cond.; minor view
4	8653 Herrington Way	3/22/13	\$1,087,500	4,071	13,330	Std sale; upgraded/good cond.; minor view
5	8742 Herrington Way	Pending	<u>\$895,000</u>	<u>2,741</u>	10,739	Std sale; good cond.; no back yard imp
			\$970,000	3,383		(Avg.)

It is noted that the average home size of 3,383 s.f. for these 5 sales is slightly larger than the average of 3,316 s.f. for all 58 homes, and all were standard sales. All of the homes were in good condition which is typical of all 45 homes, and the views ranged from none to minor which is also typical of all 58 homes. Lastly, 2 of the sales took place close to a year ago, thus there could be at least a minor upward time adjustment to those sales. Thus, the indication at \$970,000 supports a close indication to close upper limit as an average for all 58 homes.

As previously discussed in CFD No. 4, the recent standard sales for the Garden Homes product type indicate an average price of \$893,000 for an average home size of 3,480 s.f. While the average home size is slightly larger than the subject homes, the product type is slightly inferior in quality/desirability and the location in the secondary part of Santaluz is slightly inferior. Thus, the indication at \$893,000 supports a firm lower limit for the subject homes.

Also as previously discussed in CFD No. 4, the recent standard sales for the Davidson at Santaluz product type indicate an average price of \$1,085,000 for an average home size of 4,400 s.f. The much larger average home size is more than offsetting to the slightly inferior quality/desirability and location, thus resulting in a firm upper limit at an average of \$1,085,000 as an average for the subject homes.

In summary, the indications of average value for the subject homes support a firm lower limit at \$893,000, a close indication to close upper limit at \$970,000, and a

VALUATION, Continuing

firm upper limit at \$1,085,000. The conclusion is an average value of \$950,000 for the 58 homes.

Analysis of 5 Homes Under Construction

The value allocation to these 5 homes is based on an estimate of costs expended thus far on the construction, added to the estimated value of the vacant lot in a near finished condition. As previously indicated, these 5 homes were estimated to be $\pm 50\%$ completed. Thus, I have considered a cost amount of 50% of $\pm \$60.00$ per s.f. estimated direct construction costs, or $\pm \$30.00$ per s.f. on the average home size of 4,404 s.f., or a cost amount rounded to \$130,000.

As to the value of the vacant lots, it is noted that a sale of 89 lots in the west and central parts of the community (portions of Units 3 and 4) closed in July 2012 from MS Rialto The Lakes CA, LLC to Lennar Homes of California, Inc. at a price reflecting $\pm \$485,000$ per finished lot on a blended average. The purchase includes 75 lots adjacent to the subject lots at the west side (Unit 3), though some are larger and with superior views to the subject lots. The purchase also includes 14 lots in Unit 4 or to the north of Old Course Rd. at Province Ct. that are slightly smaller and with inferior views. Thus, considering the blended average price including the smaller lots with inferior views this sale supports a fairly close indication for the subject lots.

Next, it is noted that a sale of 49 lots to Van Daele Homes in the east part of the subject community (Unit 2) closed in May 2012 at a price reflecting \$360,000 per finished lot, plus potential future seller participation. The buyer was planning homes of $\pm 2,800$ s.f. to 4,000 s.f. with projected pricing from the low \$700,000's to the mid \$800,000's. These lots are much smaller than the lots in the west part of the community, and will be developed with much smaller and lower-priced homes. Thus, the indication at \$360,000 supports a far lower limit for the 5 subject lots.

Lastly, there was a sale of 44 lots, $\pm 5,000$ s.f. minimum size, located on the north side of Torrey Meadows Dr. nearby to the west of Camino del Sur and several miles southerly of the subject property, that closed in October 2011 at a price reflecting \$420,000 per finished lot. The buyer, Pulte Homes, planned to build homes ranging in size from 2,606 s.f. to 2,977 s.f. with pricing from the mid to high \$700,000's, and reflecting a CFD in place. These lots are also much smaller than the subject lots, with the inferior potential for much smaller and lower-priced homes, thus supporting a firm lower limit for the subject lots at \$420,000 per lot.

In summary, I have concluded on a value of \$480,000 for the vacant lots. To this is added the cost estimate of \$130,000, resulting in an average of \$610,000 for the 5 homes under construction.

VALUATION, Continuing

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

45 completed-sold homes @ \$1,450,000 =	\$ 65,250,000
58 completed-sold homes @ \$950,000 =	\$ 55,100,000
5 homes under construction @ \$610,000 =	<u>\$ 3,050,000</u>
	\$123,400,000

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 taxable parcels in CFD No. 13, subject to the Assumptions and Limiting Conditions, and as of March 15, 2013:

\$123,400,000

(ONE HUNDRED TWENTY-THREE MILLION FOUR HUNDRED THOUSAND DOLLARS)

ADDENDA

**QUALIFICATIONS
OF
STEPHEN G. WHITE, MAI**

PROFESSIONAL EXPERIENCE

Real Estate Appraiser since 1976.

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

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

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

PROFESSIONAL ORGANIZATIONS

Member, Appraisal Institute; MAI designation obtained 1985

Affiliate Member, Pacific West Association of Realtors

LICENSES

Licensed by the State of California as a Certified General Real Estate Appraiser; OREA ID No. AG013311; valid through September 22, 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	MCP Foods
British Pacific Properties	Merrill Lynch Relocation
BSI Consultants	Orangeland RV Park
Crown Central Petroleum	Pacific Scientific
Eastman Kodak Company	Penhall International
Firestone Building Materials	Pic 'N Save Stores
Foodmaker Realty Corp.	Sargent-Fletcher Co.
Greyhound Lines	Shell-Western E&P
Holiday Rambler Corp.	Southern Distributors Corp.
International Baking Co.	Southern California Edison
Johnson Controls	The Home Depot
Kampgrounds of America	Tooley and Company
La Habra Products, Inc.	Wastewater Disposal Co.

Developers:

Brighton Homes	Mark Taylor, Inc.
Brookfield	Mission Viejo Co.
Citation Builders	Premier Homes
Davison-Ferguson Investment Devel.	Presley Homes
D.T. Smith Homes	Rockefeller & Associates
Irvine Company	Taylor Woodrow Homes
Kathryn Thompson Developers	Unocal Land & Development

Law Firms:

Baldikoski, Klotz & Dragonette	Oliver, Barr & Vose
Best, Best & Krieger LLP	Ollestad, Freedman & Taylor
Bowie, Arneson, Wiles & Giannone	Palmieri, Tyler, Wiener, Wilhelm & Waldron LLP
Bradshaw, John	Paul, Hastings, Jonofsky & Walker LLP
Bye, Hatcher & Piggott	Piggott, George B.
Callahan, McCune & Willis	Pothier, Rose
Cooksey, Coleman & Howard	Rosenthal & Zimmerman
Hamilton & Samuels	Rutan & Tucker, LLP
Horgan, Rosen, Beckham & Coren	Sikora & Price, Inc.
Kent, John	Smith & Politiski
Kirkland & Ellis	Williams, Gerold G.
Latham & Watkins LLP	Woodruff, Spradlin & Smart, P.C.
McKee, Charles C.	Yates, Sealy M.
Mosich, Nicholas J.	
Long, David M.	
Nossaman, Guthner, Knox & Elliott, LLP	

Financial Institutions:

Ahmanson Trust Company	Pacific Western Bank
Barclays Bank	San Clemente Savings & Loan
Chino Valley Bank	Security Pacific Bank
Continental Bank	Sunwest Bank
First Interstate Mortgage	United Calif. Savings Bank
First Wisconsin Bank	Washington Square Capital
National Credit Union Admin.	

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 Sheepfold

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following is a summary of selected provisions of the Authority Indenture and the CFD Bond Indentures. The provisions of the separate CFD Bond Indentures for the CFD No. 6 IA A Special Tax Bonds, the CFD No. 10 IA A Special Tax Bonds and the CFD No. 10 IA B 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 in the Authority Indenture are defined as follows:

“2013B Bonds” means the \$17,795,000 Poway Unified School District Public Financing Authority 2013 Special Tax Revenue Bonds, Series B.

“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 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 any Series of the Bonds, including but not limited to, underwriters’ discount, printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges and first annual administrative fees of the Trustee and expenses of its counsel, fees, fees and expenses of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of such Series of the Bonds, and any other cost, charge or fee in connection with the original issuance of such Series of the Bonds. Authority Costs of Issuance shall also include Costs of Issuance as defined in each of the CFD Bond Indentures.

“Authority Costs of Issuance Account” means the account by that name within the Program Fund established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

“Authority School Facilities Fund” means the fund by that name 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, Vice Chairperson, Executive Director, 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 Executive Director or Treasurer and filed with the Community Facilities Districts, 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 the Community Facilities Districts, 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 the Community Facilities Districts and designated as an Authorized Representative of the Community Facilities Districts by a Written Certificate signed on behalf of the Community Facilities Districts 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 Joint Exercise of Powers Act (commencing with Section 6584), as amended from time to time.

“Bond Purchase Agreement” means, as to any Series of the Bonds, an agreement to purchase such Bonds, by and between the Authority, the School District, on behalf of the Community Facilities Districts, and the underwriter of such Bonds.

“Bond Year” means each twelve-month period beginning on September 2 of each year and ending on September 1 the following year; provided, however, that with respect to the 2013B Bonds, the first such Bond Year shall begin on the Date of Delivery thereof, and end on September 1, 2013.

“Bonds” or “Authority Bonds” mean the 2013B Bonds and any Parity Bonds at any time Outstanding pursuant to the Indenture.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Trustee is located, or the New York Stock Exchange is closed. If any payment 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” means, collectively, the CFD No. 4 Indenture, the CFD No. 12 Indenture and the CFD No. 13 Indenture.

“CFD No. 4 2013 Bonds” means the \$7,990,000 Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch) Special Tax Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 4 Indenture.

“CFD No. 4 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. 4 2013 Bonds and the denominator equal to the total principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 4 2013 Bonds, such amount shall be \$688,925.91.

“CFD No. 4 Indenture” means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 4 and Zions First National Bank, as fiscal agent, as amended and supplemented by the CFD No. 4 Supplemental Indenture.

“CFD No. 4 Supplemental Indenture” means the First Supplemental Indenture, dated as of May 1, 2013, by and between CFD No. 4 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 4 2013 Bonds.

“CFD No. 12 2013 Bonds” means the \$4,430,000 Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) Special Tax Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 12 Indenture.

“CFD No. 12 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. 12 2013 Bonds and the denominator equal to the total principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 12 2013 Bonds, such amount shall be \$381,970.19.

“CFD No. 12 Indenture” means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 12 and Zions First National Bank, as fiscal agent, as amended and supplemented by the CFD No. 12 Supplemental Indenture.

“CFD No. 12 Supplemental Indenture” means the First Supplemental Indenture, dated as of May 1, 2013, by and between CFD No. 12 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 12 2013 Bonds.

“CFD No. 13 2013 Bonds” means the \$5,375,000 Poway Unified School District Community Facilities District No. 13 Special Tax Bonds, Series 2013 issued pursuant to the Special Tax Bonds Resolution of Issuance and the CFD No. 13 Indenture.

“CFD No. 13 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. 13 2013 Bonds and the denominator equal to the total principal of the Special Tax Bonds. As of the Date of Delivery of the CFD No. 13 2013 Bonds, such amount shall be \$463,451.41.

“CFD No. 13 Indenture” means the Bond Indenture, dated as of May 1, 2013, by and between CFD No. 13 and Zions First National Bank, as Fiscal Agent, pertaining to the CFD No. 13 2013 Bonds.

“CFD Prepayment Credit” means that Reserve Fund Credit as such term is defined in the Special Tax RMA for each particular CFD, calculated pursuant to such rate and method and provided for upon the prepayment of the special tax obligation for property within such CFD.

“Community Facilities District Bond Counsel” or “CFD Bond Counsel” means the law firm of Best Best & Krieger LLP and any successor firm or any other firm of nationally recognized bond counsel acceptable to the Board of Education, acting in its capacity as the legislative body of the Community Facilities Districts.

“Community Facilities District No. 4” or “CFD No. 4” means Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch), a community facilities district formed pursuant to the Mello-Roos Act.

“Community Facilities District No. 12” or “CFD No. 12” means Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) , a community facilities district formed pursuant to the Mello-Roos Act.

“Community Facilities District No. 13” or “CFD No. 13” means Poway Unified School District Community Facilities District No. 13 (The Lakes), a community facilities district formed pursuant to the Mello-Roos Act.

“Community Facilities Districts” or “CFDs” means, collectively, CFD No. 4, CFD No. 12 and CFD No. 13.

“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 May 1, 2013 as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Date of Delivery” means with respect to each Series of the Bonds, the date on which such Series the 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 the Indenture.

“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 a Series 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 such Series of 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 CFD No. 4 2013 Bonds, the CFD No. 12 2013 Bonds and the CFD No. 13 2013 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 May 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.

“Funding Requirement” means, as of any date of calculation, that all deposits required to be made to the Interest Account, the Principal Account and the Redemption Account for the Bond Year have been made.

“Indenture” means the 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 1 and September 1, commencing September 1, 2013 as to the 2013B Bonds.

“Joint Exercise of 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 in on a parity with the lien securing the 2013B 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. the municipal obligations are (1) 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) has 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 agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

B. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinate to any other obligation of, the provider thereof; or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

C. the Authority and the Trustee receive the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

D. the investment agreement shall provide that if during its term

(1) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a Holder of the Collateral, free and clear of any third-party liens or claims, the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) transfer and assign the investment agreement to a then qualifying counterparty with ratings specified above; and

(2) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, within 10 days of the date of such withdrawal, suspension or reduction of the provider's rating, repay the principal of and accrued but unpaid interest on the investment;

E. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

F. the investment agreement must provide that if during its term

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("Event of Insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

12. The Local Agency Investment Fund (LAIF) administered by the treasurer of the State to the extent such deposits remain in the name of and control of the Trustee.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Principal Office” means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Authority, initially being 550 S. Hope Street, Suite 2650, Los Angeles, California 90071, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange or maintenance of the Registration Books, such term shall mean the office of the Trustee at which its corporate agency business shall be conducted, initially being the office of Zions First National Bank in Salt Lake City, Utah.

“Principal Payment Date” means September 1 of each year.

“Principal Repayment” means any amounts received by the Trustee representing a repayment of principal of any issue of Special Tax Bonds upon the prior redemption, prepayment or acceleration thereof.

“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 any Series of the Bonds, means the face amounts of such 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 fifteenth (15th) day of the month (whether or not such day is a Business Day) preceding each Interest Payment Date.

“Redemption Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“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 \$1,534,347.51 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 original principal amount 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 moneys originally deposited with the Trustee for application for payment of principal or interest on the Bonds and all moneys held by the Trustee in the funds and accounts established in the Indenture for payment of the Bonds (excluding the Program Fund and the Rebate Fund); and (c) investment income with respect to the funds and accounts established hereunder except for investment earnings on funds held in the Program Fund and the Rebate Fund.

“S&P” or “Standard & Poor’s” means Standard & Poor’s Corporation, its successors and assigns.

“School District” means the Poway Unified School District, a public school district organized and operating pursuant to the provisions of the California Education Code.

“School Facilities” means K-8 School #39, and any other school facilities authorized to be financed by the CFDs.

“School Facilities Costs” means the amounts necessary to finance the acquisition or construction of the School Facilities and incidental expenses associated therewith of the type authorized to be financed under the Mello-Roos Act.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, New York, New York 10041-0099, Fax (212) 855-3274 or 3799; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Series” means, as to the Bonds, any series of the Bonds issued pursuant to the Indenture or any Supplemental Indenture or, as to the 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 the Indenture as a record date for the payment of defaulted interest on the Bonds, if any.

“Special Tax Bonds” means the CFD No. 4 2013 Bonds, the CFD No. 12 2013 Bonds and the CFD No. 13 2013 Bonds.

“Special Tax Bonds Purchase Agreement” means the Special Tax Bonds Purchase Agreement, dated as of May 2, 2013, 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 has agreed to sell the Special Tax Bonds to the Authority.

“Special Tax Bonds Resolution of Issuance” means Resolution No. 48-2013 of the Board of Trustees of the School District, acting in its capacity as the governing body of the Community Facilities Districts, adopted on April 22, 2013, providing for the issuance of the Special Tax Bonds.

“Supplemental Indenture” means a Supplemental Indenture of Trust providing for any matter authorized in the Indenture, entered into by and between the Authority and the Trustee pursuant to the provisions of 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 any Series of the Bonds and the applicable Series of the Special Tax Bonds.

“Tax Code” means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a provision of the Tax Code shall include the applicable Tax Regulations promulgated with respect to such provision.

“Tax Regulations” means temporary and permanent regulations promulgated under Section 103 and related sections of the Tax Code.

“Term 2013B Bonds” means the 2013B Bonds maturing on September 1, 2032, on September 1, 2035 and on September 1, 2042, respectively.

“Trustee” means Zions First National Bank, or its successor, as Trustee hereunder as provided in 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.

“Written Certificate” and “Written Request” of the Authority, the School District or the Community Facilities Districts 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 the Community Facilities Districts 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 each Principal Payment Date after making the transfers and deposits in paragraphs (a) through (e) above, the Trustee shall notify the Authority of any moneys remaining on deposit in the Revenue Fund and shall, in the absence of a Written Certificate of the Authority directing the Trustee to transfer such moneys from the Revenue Fund in order to conform to the requirements of the covenants identified below as “No Arbitrage,” “Compliance with Rebate Requirement,” “Private Use Limitation,” “Limitations on the Use of Proceeds of the Bonds” and “Federal Guaranty Prohibition,” retain such amounts in the Revenue Fund to be applied as provided in paragraphs (a) through (e) above.

Interest Account.

Subject to the provisions of the Indenture, all amounts in the Interest Account shall be used and **withdrawn** by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable or, at the Written Request of the Authority filed with the Trustee, to apply to the payment of accrued interest on any Bonds purchased by the Authority pursuant to the Indenture in lieu of redemption pursuant to the Indenture. Any amounts on deposit in the Interest Account on any September 15 which are not required to pay interest then due and payable on the Bonds shall be transferred from the Interest Account to the Revenue Fund and disbursed pursuant to the Indenture. In the event that the deposit in the Interest Account on any Interest Payment Date or redemption date, after any transfers from the Reserve Fund pursuant to the Indenture, are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee shall apply such amounts of the payment of interest on each of the Outstanding Bonds on a pro rata basis so that an equal percentage of the interest due on each Bond is paid.

Principal Account.

Subject to the provisions of the Indenture, all amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal of the Bonds upon the stated maturity thereof or upon any prior redemption of the Bonds with the proceeds of mandatory sinking payments. Any amounts on deposit in the Principal Account on any September 15 which are not required to pay the principal amount then due and payable on the Bonds shall be transferred from the Principal Account to the Revenue Fund and disbursed pursuant to the Indenture. In the event that the amounts on deposit in the Principal Account on any Interest Payment Date or date of redemption, after any transfers from the Reserve Fund pursuant to the Indenture, are insufficient for any reason to pay the aggregate principal amount of, and premium (if any) on, the Outstanding Bonds then coming due and payable (whether at maturity or upon the redemption thereof), the Trustee shall apply such amounts in the following order of priority: (i) first, to the payment of the principal of the Outstanding Bonds which mature by their terms or are to be redeemed pursuant to the Indenture; and (ii) second, to the payment of the principal of any redemption premium (if any) on the Outstanding Bonds which mature by their terms or are to be redeemed pursuant to the Indenture, in each case on a pro rata basis so that an equal percentage of the principal maturing or being redeemed under (i) above is paid first, followed by the payment of an equal percentage under (ii).

Redemption Account.

The Trustee shall deposit in the Redemption Account any amounts required or permitted to be applied to the redemption of Bonds (exclusive of mandatory sinking fund redemptions on the Term Bonds) pursuant to the Indenture.

Subject to the provisions of the Indenture, all amounts deposited in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming the Bonds in the manner and upon the terms and conditions specified in the Indenture (excluding mandatory sinking fund redemptions which shall be paid from the Interest Account and the Principal Account), at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable. At any time prior to selection of Bonds for such notice of redemption, the Trustee may, at the Written Request of the Authority apply amounts on deposit in the Redemption Account to the purchase of the Bonds, for cancellation, at public or private sale, as and when and at prices not exceeding the par amount thereof (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) and as specified in the Indenture. Any amounts on deposit in the Redemption Account after the corresponding redemption date which are not necessary, or insufficient in amount, to redeem Bonds designated for redemption shall be retained in the Redemption Account.

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 of 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 School Facilities Fund.

The Trustee shall maintain and hold the Authority School Facilities Fund in trust. The Trustee shall, on the Date of Delivery, receive monies from the Fiscal Agent for the CFD No. 4 2013 Bonds, the CFD No. 12 2013 Bonds, and the CFD No. 13 2013 Bonds and deposit such contributions in the Authority School Facilities Fund to initially fund the Authority School Facilities Fund and shall administer and maintain such fund as set forth in the Indenture.

The Trustee shall, from time to time, disburse moneys from the Authority School Facilities Fund to pay School Facilities Costs. Upon receipt of a payment request of the Authority duly executed by an Authorized Representative in substantially the form provided for in the Indenture, the Trustee shall pay the School Facilities Costs from amounts in the Authority School Facilities Fund directly to the contractor or such other person, corporation or entity entitled to payment hereunder (including reimbursements, if any, to the Authority) unless the Authority requests payment to be made to the contractor or such other party jointly, in which case said School Facilities Costs shall be paid jointly. The Trustee may rely on an executed payment request as complete authorization for said payments.

After the final payment or reimbursement of all School Facilities Costs as certified by delivery of a written notice from an Authorized Representative of the Authority to the Trustee, the Trustee shall transfer excess moneys, if any, on deposit in, or subsequently deposited in, the Authority School Facilities Fund to the Revenue Fund.

Rebate Fund.

(a) Calculation of Rebate Requirement. 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 Funds.

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.

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.

Except for the issuance of Parity Bonds issued pursuant to the provisions of the Indenture, 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 May 2, 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. 4 Bond Indenture and the CFD No. 12 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. 4 Indenture, the \$7,990,000 Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch) Special Tax Bonds, Series 2013;

b. As to the CFD No. 12 Indenture, the \$4,430,000 Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) Special Tax Bonds, Series 2013;

c. As to the CFD No. 13 Indenture, the \$5,375,000 Poway Unified School District Community Facilities District No. 13 Special Tax Bonds, Series 2013.

“Administrative Expense Fund” means the fund by that name established pursuant to the Indenture.

“Administrative Expense Requirement” means an annual amount equal to \$76,094.41 as to the CFD No. 4 Bond Indenture, \$43,518.34 as to the CFD No. 12 Indenture, \$18,284.92 as to the CFD No. 10 IA C Bond Indenture, each amount of which shall escalate by 2% in each Bond Year commencing in the Bond Year beginning September 2, 2013 until the defeasance or maturity thereof.

“Administrative Expenses” means, as to the CFD No. 13 Indenture, (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.

“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, as to the CFD No. 13 Indenture, have the meaning given such term in the Authority Indenture.

“Authority Administrative Expense Fund” means, as to the CFD No. 13 Indenture, 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, as to the CFD No. 13 Indenture, 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, as to the CFD No. 13 Indenture, the Reserve Fund established pursuant to the Authority Indenture.

“Authority Reserve Requirement” has, as to the CFD No. 13 Indenture, the meaning given to the term “Reserve Requirement” in the Authority Indenture.

“Authority Trustee” means, as to the CFD No. 13 Indenture, 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. 13 Custodial Account” means, as to the CFD No. 13 Indenture, the custodial account established for the District pursuant to the Custodial Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Community Facilities Districts” means Community Facilities District Nos. 4 (Black Mountain Ranch), 12 (Black Mountain Ranch Phase II – South Village and The Clusters) and 13 (The Lakes) of the School District.

“Comptroller of the Currency” means the Comptroller of the Currency of the United States.

“Costs of Issuance” means, as to each Series of the Bonds, all of costs of issuing such Bonds, including, but not limited to, all printing and document preparation expenses in connection with 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.

“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, as to the CFD No. 13 Indenture, 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.

“Defeasance Obligations” means those obligations described in paragraph A. of the definition of Permitted Investments.

“Delinquency Collection Expenses” means those fees and expenses of the District incurred by or on behalf of the District in or related to the collection of delinquent Special Taxes.

“Delinquency Proceeds” means the net amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Tax resulting from the delinquency in the payment of Special Taxes due and payable on such property and net of County of San Diego, foreclosure counsel and other fees and expenses incurred by or on behalf of the District or the School District in undertaking such foreclosure proceedings.

“Delivery Date” means, as to each Series of the Bonds, the date on which such Series of the Bonds are issued and delivered to the initial purchaser thereof. The Delivery Date of the 2013 Bonds shall be May 22, 2013.

“Depository” means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the District discontinues use of the Depository pursuant to 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 applicable Special Tax RMA.

“District” or “CFD No. 4” means, as to the CFD No. 4 Indenture, Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch).

“District” or “CFD No. 12” means, as to the CFD No. 12 Indenture, Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – South Village and The Clusters).

“District” or “CFD No. 13” means, as to the CFD No. 13 Indenture, Poway Unified School District Community Facilities District No. 13 (The Lakes).

“Excess Authority Rebate Obligation” means, as to the CFD No. 13, Indenture, 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 May 1, 2013, among the Authority, the School District, CFD No. 4, CFD No. 12 and CFD No. 13.

“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, as to the CFD No. 13 Indenture, March 1 and September 1 of each year, commencing September 1, 2013 as to the Bonds.

“Land Secured Debt” means as to any Taxable Property (as such term is defined in the Special Tax RMA), (a) the principal amount of all Outstanding 2007 Bonds in the case of the CFD No. 4 Indenture and the CFD No. 12 Indenture, or the Outstanding 2013 Bonds, in the case of the CFD No. 13 Indenture, Outstanding Parity Bonds previously issued and the Parity Bonds proposed to be issued allocable to such Taxable Property, (b) the principal amount of all other bonds secured by special taxes

allocable to such Taxable Property, and (c) the amount of all fixed lien assessments levied on such Taxable Property.

“Legislative Body” means the Board of Education of the School District, acting as the legislative body of the District.

“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.

“School District” means the Poway Unified School District.

“School Facilities” means, as to the CFD No. 4 Indenture, those school facilities authorized to be financed by the District pursuant to Resolution No. 32-98 and Resolution No. 48-98 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities.

“School Facilities” means, as to the CFD No. 12 Indenture, those school facilities authorized to be financed by the District pursuant to Resolution No. 113-2002 and Resolution No. 114-2002 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities.

“School Facilities” means, as to the CFD No. 13 Indenture, those school facilities authorized to be financed by the District pursuant to Resolution No. 51-2007 and Resolution No. 52-2007 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities.

“School Facilities Costs” means the amounts necessary to finance the acquisition or construction of the School Facilities and incidental expenses associated therewith of the type authorized to be financed under the Mello-Roos Act.

“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 any series of the Bonds issued pursuant to this Indenture or any Supplemental Indenture.

“Special Tax” means the Special Tax authorized to be levied in the District to finance the acquisition or construction of the School Facilities pursuant to the Mello-Roos Act and the Special Tax RMA.

“Special Tax Fund” means the fund by that name established pursuant to the Indenture.

“Special Tax Requirement” has the meaning given such term in the Special Tax RMA.

“Special Tax Revenues” means the following revenues received by the District on and after July 1, 2013: (a) the proceeds of the Special Tax levied and received by the District, (b) the Delinquency Proceeds, and (c) Prepayments.

“Special Tax RMA” means, as to the CFD No. 4 Indenture, the rate and method of apportionment of the Special Tax originally approved at the special election held in the District on December 15, 1997, and as modified at the special election held in the District on November 13, 2000, as may be modified from time to time in accordance with the Mello-Roos Act.

“Special Tax RMA” means, as to the CFD No. 12 Indenture, the rate and method of apportionment of the Special Tax originally approved at the special election held in the District on July 24, 2002, as may be modified from time to time in accordance with the Mello-Roos Act.

“Special Tax RMA” means, as to the CFD No. 13 Indenture, the rate and method of apportionment of the Special Tax originally approved at the special election held in the District on March 12, 2007, as may be modified from time to time in accordance with the Mello-Roos Act.

“Special Tax Bonds” has the meaning given such term in the Authority Indenture.

“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 Mello-Roos Act at a meeting of the Legislative Body duly convened and held, at which a quorum was present and acted thereon, amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Taxable Property” shall have the meaning give such term in the applicable Special Tax RMA.

“Yield” has the meaning assigned to such term for purposes of Section 148(f) of the Code.

The following definitions apply to the CFD No. 4 Indenture and the CFD No. 12 Indenture:

“2007 Authority Administrative Expense Fund” has the meaning given the term “Authority Administrative Expense Fund” in the 2007 Authority Indenture.

“2007 Authority Administrative Expenses” has the meaning given the term “Authority Administrative Expenses” in the 2007 Authority Indenture.

“2007 Authority Bonds” means the \$69,945,000 Poway Unified School District Public Financing Authority 2007 Revenue Bonds issued pursuant to the 2007 Authority Indenture.

“2007 Authority Indenture” means that Indenture of Trust, dated as of April 1, 2007, by and between the Authority and the Authority Trustee pertaining to the 2007 Authority Bonds.

“2007 Authority Reserve Fund” means the Reserve Fund established pursuant to the 2007 Authority Indenture.

“2007 Authority Reserve Requirement” has the meaning given to the term “Reserve Requirement” in the 2007 Authority Indenture.

“2007 Authority Trustee” means Zions First National Bank, acting in its capacity as trustee pursuant to the 2007 Authority Indenture.

“2007 Excess Authority Rebate Obligation” means that portion of any obligation of the Authority to make a payment to the United States pursuant to Section 5.10 of the 2007 Authority Indenture that exceeds the funds then on deposit in the Rebate Fund established pursuant to the 2007 Authority Indenture.

“2007 Funding Agreement” means the Funding Allocation Agreement, dated as of April 1, 2007, among the Authority, the School District and Community Facilities District Nos. 2, 4, 8, 9, 10 and 12 of the School District.

“2007 Proportionate Share” shall have the meaning given the term “Proportionate Share” in the 2007 Funding Agreement.

“2007 Rebate Fund” means the Rebate Fund established pursuant to the 2007 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 May 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 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, the School District and the Community Facilities Districts.

“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 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 of San Diego, 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 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 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 2007 Proportionate Share of the 2007 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 Expense Fund” means, as to the 2007 Authority Bonds, the 2007 Authority Administrative Expense Fund, and, as to the 2013 Authority Bonds, the 2013 Authority Administrative Expense Fund.

“Authority Administrative Expenses” is amended to mean, as to the 2007 Authority Bonds, the 2007 Authority Administrative Expenses, and, as to the 2013 Authority Bonds, the 2013 Authority Administrative Expenses.

“Authority Indenture” is amended to mean, as to the 2007 Authority Bonds, the 2007 Authority Indenture, and, as to the 2013 Authority Bonds, the 2013 Authority Indenture.

“Authority Reserve Fund” means, as to the 2007 Authority Bonds, the 2007 Authority Reserve Fund, and, as to the 2013 Authority Bonds, the 2013 Authority Reserve Fund.

“Authority Reserve Requirement” means, as to the 2007 Authority Bonds, the 2007 Authority Reserve Requirement, and, as to the 2013 Authority Bonds, the 2013 Authority Reserve Requirement.

“Authority Trustee” is amended to mean, as to the 2007 Authority Bonds, the 2007 Authority Trustee, and, as to the 2013 Authority Bonds, the 2013 Authority Trustee.

“Excess Authority Rebate Obligation” means, as to the 2007 Authority Bonds, the 2007 Excess Authority Rebate Obligation, and, as to the 2013 Authority Bonds, the 2013 Excess Authority Rebate Obligation.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of May 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 2013 Bonds.

“Interest Payment Date” means March 1 and September 1 of each year, commencing September 1, 2013 as to the 2007 Bonds and September 1, 2013 as to the 2013 Bonds.

“Rebate Fund” means, as to the 2007 Authority Bonds, the 2007 Rebate Fund, and, as to the 2013 Authority Bonds, the 2013 Rebate Fund.

The following definitions apply to the CFD No. 13 Indenture:

“Accreted Interest” means, with respect to the Capital Appreciation Bonds, the Accreted Value thereof minus the Denominational Amount thereof as of the date of calculation.

“Accreted Value” means, with respect to the Capital Appreciation Bonds, as of the date of calculation, the Denominational Amount thereof, plus Accreted Interest thereon to such date of calculation, compounded semiannually on each March 1 and September 1 (commencing on September 1, 2007 as to the 2007 Bonds), at the stated Reoffering Yield to maturity thereof, assuming in any such semiannual period that such Accreted Value in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months on the basis of a constant interest rate compounded semi-annually (with straight line interpolation between the Bond Payment Dates).

“Bond Payment Date” means March 1 and September 1 of each year, commencing September 1, 2007 as to the 2007 Bonds.

“Capital Appreciation Bonds” means those Bonds, including the 2007 Bonds, the interest component of which is compounded semiannually on each Bond Payment Date.

“Denominational Amount” means, with respect to any Capital Appreciation Bonds, the initial offering price thereof, which represents the principal amount thereof (exclusive of any initial premium thereon).

“Maturity Value” means the Accreted Value of any Capital Appreciation Bond, including the 2007 Bonds, on its maturity date.

“Reoffering Yield” means, that rate which, when applied to the Denominational Amount of any Capital Appreciation Bond and compounded semiannually on each March 1 and September 1 (commencing September 1, 2007 as to the 2007 Bonds), produces the Maturity Value on the Maturity Date.

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 to the CFD No. 4 Bond Indenture and the CFD No. 13 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.

The following paragraph shall apply to the CFD No. 4 Indenture:

7. If, on or after September 2 of each year, after making the deposits and transfers required through 1. through 7. above, moneys remaining in the Special Tax Fund, such moneys shall be transferred to the Authority Trustee for deposit in the Authority Surplus Fund.

The following paragraph shall apply to the CFD No. 13 Indenture:

7. If, on or after September 2 of each year, after making the deposits and transfers required under 1. through 6. above, moneys remain in the Special Tax Fund, such moneys shall remain on deposit in the Special Tax Fund and shall be subsequently deposited or transferred pursuant to the provisions of 1. through 6. above, provided, however, if the District notifies the Fiscal Agent pursuant to written instructions executed by an Authorized Representative that the levy of Special Taxes on Developed Property exceeds the Special Tax Requirement (as defined in the Special Tax RMA), the District may, by such instructions, direct the Fiscal Agent to transfer, either on a continuing basis or as otherwise directed in such instructions, such excess to the Custodian for deposit in the CFD No. 13 Custodial Account to be used to pay for the acquisition, construction, rehabilitation and improvement of School Facilities.

The following paragraphs shall apply to the CFD No. 12 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 Bond Payment Date and date for redemption of any Current Interest Bonds, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Bond Payment Date on all Outstanding Current Interest Bonds or to be paid on the Current Interest Bonds being redeemed on such date.

3. The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Bond Payment Date and redemption date on which the principal of any Current Interest Bonds shall be payable, pursuant to the provisions of the Supplement Indenture providing for the issuance of such Current Interest Bonds, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Current Interest Bonds coming due and payable on such Bond Payment Date, or required to be redeemed on such date pursuant to the provisions of the Supplemental Indenture providing for the issuance of such Current Interest Bonds.

4. The Fiscal Agent shall deposit in the Capital Appreciation Bonds Payment Account (a) on each redemption date on which the Accreted Value of any Capital Appreciation Bonds shall be payable, pursuant to the Indenture as to the 2007 Bonds or the provisions of the Supplemental Indenture providing for the issuance of such other Capital Appreciation Bonds, and

(b) on or before the maturity date of such Capital Appreciation Bonds an amount to pay the Accreted Value of such Capital Appreciation Bonds on the maturity date.

5. After making the transfer and deposits required under 1. through 4. above, the Fiscal Agent shall transfer to the Authority Trustee the amount, if any, necessary to restore the Authority Reserve Fund to the Authority Reserve Requirement, but only to the extent that any draw on the Authority Reserve Fund was attributable, as determined by the Authority upon request of the Trustee to so determine, to a deficiency in the amount of debt service received by the Authority on the Bonds.

6. On September 2 of each year after making the deposits and transfers required under 1. through 5. above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Authority Trustee that amount necessary to pay any Guaranty Agreement Reimbursements then due and owing by the District pursuant to the Funding Agreement. Any such transfer shall be accompanied by written notice to the Authority Trustee that the amount transferred is to be utilized to pay Guaranty Agreement Reimbursements pursuant to the Authority Indenture.

7. On September 2 of each year after making the deposits and transfers required under 1. through 6. above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Authority Trustee the District's Proportionate Share of any Excess Authority Rebate Obligation that is or will be due and payable during the Bond Year commencing on such September 2. Any such transfer shall be accompanied by written notice to the Authority Trustee that the amount transferred is to be deposited in the Rebate Fund established pursuant to the Authority Indenture.

8. On September 2 of each year after making the deposits and transfers required under 1. through 7. above, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Administrative Expense Fund the amounts specified in such request to pay: or:

(i) those Administrative Expenses that the District reasonably believes will become due and payable during such Bond Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund; and

(ii) the District's Proportionate Share of Authority Administrative Expenses which the District reasonably determines will become due and payable during such Bond Year or the cost of which Authority Administrative Expenses have been previously paid by the Authority or the District from funds other than the Authority Administrative Expense Fund; and

(iii) the cost of such Administrative Expenses and the District's Proportionate Share of the Authority's Administrative Expenses paid or projected to be paid from the Administrative Expense Fund during the Bond Year commencing on such September 2, will be in excess of the Administrative Expense Requirement for such Bond Year.

9. If, on or after September 2 of each year, after making the deposits and transfers required under 1. through 8. above, moneys remain in the Special Tax Fund, such moneys shall be transferred to the Authority Trustee for deposit in the Authority Surplus Fund.

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, 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 Mello-Roos Act.

Bond Service Fund.

The following paragraphs shall apply to the CFD No. 4 Indenture and the CFD No. 13 Indenture:

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 as it shall become due and payable (including accrued interest on any Bonds 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, at the maturity thereof or (2) paying the mandatory sinking fund redemption price of the Bonds.

The following paragraphs shall apply to the CFD No. 12 Indenture:

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 any Current Interest Bonds as it shall become due and payable (including accrued interest on any Bonds 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 Current Interest Bonds, at the maturity thereof or (2) paying the principal of the Current Interest Bonds upon the mandatory sinking fund redemption thereof pursuant to the Supplemental Indenture providing for the issuance thereof.

C. Capital Appreciation Bonds Payment Account.

All moneys in the Capital Appreciation Bonds Payment Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying (a) the redemption price of the Capital Appreciation Bonds redeemed pursuant to the CFD No. 12 Indenture as to the 2007 Bonds or pursuant to provisions of the Supplemental Indenture providing for the issuance of such Capital Appreciation Bonds or (b) the Accreted Value of any Capital Appreciation Bonds upon the maturity thereof.

Redemption Fund.

Moneys shall be deposited into the Redemption Fund by the Fiscal Agent pursuant to the terms of the Indenture and shall be set aside and used solely for the purpose of optionally redeeming Bonds or redeeming Bonds from the proceeds of Special Tax Prepayments in accordance with written instructions of the District executed by an Authorized Representative given in accordance with the Indenture of, as applicable. Following the redemption of any Bonds, if any funds remain in the Redemption Fund, such funds shall be transferred to the Special Tax Fund or the Surplus Special Tax Fund, as applicable.

Administrative Expense Fund.

The following provisions shall apply to the CFD No. 4 Indenture and the CFD No 12 Indenture:

The Fiscal Agent shall deposit from time to time the amounts authorized for deposit in the Administrative Expense Fund 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.

The following provisions shall apply to the CFD No. 13 Indenture:

The Fiscal Agent shall deposit from time to time the amounts authorized for deposit in the Administrative Expense Fund pursuant to the Indenture. The moneys in the Administrative Expense Fund shall be used 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.

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 B.(5) of the definition of Permitted Investments; ***provided, however, for the CFD No. 4 Indenture and the CFD No. 12 Indenture such investments must be rated in the highest rating category of S&P.*** Notwithstanding anything in the Indenture to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in paragraph B(5) of the definition of Permitted Investments.

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 Bondholders;

(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 Bondholders;

(d) to amend any provision of the Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or

(e) to provide for the issuance of Parity Bonds pursuant to the terms of the Indenture.

Exclusive of the Supplemental Indentures provided for in the first paragraph above, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing therein shall permit, or be construed as permitting, (i) an extension of the maturity date of the principal of, or the payment date of interest on, any Bond; or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon without the consent of the affected Bondholder(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 Bondholders, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed,

postage prepaid, to all Bondowners at their addresses as they appear in the bond register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as provided in the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to the approval thereof by the Legislative Body substantially in the form of the copy thereof referred to in such Notice as on file with the District, such proposed Supplemental Indenture, when duly approved by the Legislative Body, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the approval of any Supplemental Indenture, Bonds which are known to the Fiscal Agent to be owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the approval of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modifications and amendments. Notwithstanding anything in the Indenture to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent thereunder, without the prior written consent of the Fiscal Agent.

After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds shall be exchanged at the corporate trust office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

Issuance of Parity Bonds.

Subject to the satisfaction of the specific conditions set forth in below, the District may at any time after the issuance and delivery of the 2007 Bonds, in the case of the CFD No. 4 and CFD No. 12 Indenture, or the 2013 Bonds, in the case of the CFD No. 13 Indenture, 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 2007 Bonds, in the case of the CFD No. 4 and CFD No. 12 Indenture, or the 2013 Bonds, in the case of the CFD No. 13 Indenture, 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. The aggregate principal amount of the 2013 Bonds and all Parity Bonds issued may not exceed \$32,000,000 as to the CFD No. 4 Indenture, \$18,000,000 as to the CFD No. 12 Indenture, \$20,000,000 as to the CFD No. 13 Indenture; provided, however, that, notwithstanding the foregoing, Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all Outstanding Bonds.

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 Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

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 financing additional School Facilities Costs or refunding any Outstanding Bonds or Parity Bonds, including payment of all costs incidental to or connected with such refunding;
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 Proportionate Share of the Authority Reserve Requirement allocable to the Outstanding Bonds, including such Parity Bonds, on the Delivery Date 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, equal to the least of: (i) 10% of the initial principal amount of such Parity Bonds less the original issue discount, if any, plus the original issue premium, if any, applicable to such Parity Bonds; (ii) Maximum Annual

Debt Service on such Parity Bonds; or (iii) 125% of average Annual Debt Service on such Parity Bonds;

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; and (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 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 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;
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 Special Taxes that may be levied pursuant to the Special Tax RMA in each remaining Bond Year based only on the

Developed Property (as such term is defined in the Special Tax RMA) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Bonds theretofore issued and the Parity Bonds proposed to be issued; provided that, for purposes of making the certifications required by the Indenture, the Independent Financial Consultant may rely on reports or certificates of such other persons as may be acceptable to the District, Bond Counsel and the underwriter of the proposed Parity Bonds;

(b) the aggregate assessed value of all Developed Property within the District as shown on the latest assessment roll maintained by the County Assessor of the County of San Diego is not less than four (4) times the aggregate amount of Land Secured Debt allocable to such Developed 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 Parity Bonds.

Covenants.

As long as the Bonds are Outstanding and unpaid, the District shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants and agreements set forth in the Indenture; provided, however, that said covenants do not require the District to expend any funds other than the Special Tax Revenues or Surplus Special Tax Revenues, as applicable.

A. On or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Special Tax levied in such Fiscal Year to determine the amount of Special Tax actually collected in such Fiscal Year. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more, or (ii) any single parcel or parcels under common ownership subject to the Special Tax are delinquent in the payment of Special Taxes in the aggregate of \$10,000 or more, the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Special Taxes remain delinquent. With respect to aggregate delinquencies throughout the District, if the District determines that it has collected less than 95% of the Special Taxes levied in the such Fiscal Year, then the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Special Taxes remain delinquent.

B. The District shall preserve and protect the security of the Bonds and the rights of the Bondowners and defend their rights against all claims and demands of all persons. Until such time as an amount has been set aside sufficient to pay Outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the District will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued thereunder.

C. 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, 2013, 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 May 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. 4 (Black Mountain Ranch) of the Poway Unified School District (“Community Facilities District No. 4”), Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) of the Poway Unified School District (“Community Facilities District No. 12”) and Community Facilities District No. 13 (The Lakes) of the Poway Unified School District (“Community Facilities District No. 13” and, collectively with Community Facilities District No. 4 and Community Facilities District No. 12, 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 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 Bonds, Series B (the “Bonds”);

WITNESSETH:

WHEREAS, pursuant to the Bond Indenture, dated as of May 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 \$17,795,000; and

WHEREAS, the Bonds are being issued to acquire three series of special tax bonds issued by each of the Districts (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 May 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;

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. 4 (Black Mountain Ranch) of the Poway Unified School District, Community Facilities District No. 12 (Black Mountain Ranch – Southern Village and the Clusters) of the Poway Unified School District and Community Facilities District No. 13 (The Lakes) 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).

“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.

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

“School District” shall mean Poway Unified School District, Poway, California.

Section 3. Provision of Annual Reports.

(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 and its applicable CFD Bonds:

(i) A table summarizing assessed value-to-lien ratios for the property in each District 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 District on which the Special Taxes are levied, as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 30 next preceding the Annual Report Date. The lien values in such table will include all CFD Bonds and any parity

bonds with respect to the applicable District, but need not include other debt secured by a tax or assessments levied on parcels within such District 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 District, 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 District and summary of results of foreclosure sales, if available;

(iv) A land ownership summary listing property owners in each District, if any, responsible for more than 5% of the Special Tax levy in such District 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 District owned by such property owners, and the assessed value of such property, as shown on such assessment roll;

(v) Concerning delinquent parcels as of the immediately preceding August 15;

- number of parcels in the applicable District delinquent in payment of Special Tax,
- total of such delinquency and percentage of delinquency in relation to total Special Tax levy,
- status of the actions taken by the School District and/or the District related to any foreclosure proceedings upon delinquent properties within the applicable District;

(vi) identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding August 15, plus:

- assessed value of applicable properties, and
- summary of results of foreclosure sales, if available,

(vii) a copy of any report for or concerning a District with respect to the applicable District as of the immediately preceding October 31 required under State law;

(viii) Any changes to the Rate and Method of Apportionment of Special Tax with respect to the applicable District approved or submitted to the qualified electors of the applicable District for approval prior to the filing of the Annual Report; and

(ix) With respect to each applicable District, the following information:

- The amount of bonds authorized for the applicable District,
- The amount of bonds issued,
- The date of issuance of such bonds,

- A description of the use of the proceeds of bonds issued, and
- Balance as of a date within 60 days preceding the date of the Annual Report, of any other fund not referenced above.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Authority or a District, as applicable, shall provide such further information, if any, as may be necessary to make the 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).

(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).

⁽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.

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 forth 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
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If to the Dissemination Agent:	Dolinka Group, LLC 20 Pacifica, Suite 900 Irvine, California 92618 Telephone: 949/250-8300 Telecopier: 949/250-8301
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If to the Trustee:	Zions First National Bank 550 South Hope Street, Suite 2650 Los Angeles, California 90071 Telephone: 213/593-3150 Telecopier: 213/593-3160
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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. 4 (BLACK MOUNTAIN RANCH), COMMUNITY FACILITIES DISTRICT NO. 12 (BLACK MOUNTAIN RANCH PHASE II – SOUTHERN VILLAGE AND THE CLUSTERS) AND COMMUNITY FACILITIES DISTRICT NO. 13 (THE LAKES)

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 Bonds, Series B

Date of Issuance: May 22, 2013

NOTICE IS HEREBY GIVEN that Poway Unified School District Public Financing Authority [Community Facilities District No. 4] [Community Facilities District No. 12] [Community Facilities District No. 13] has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of May 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. 4 (Black Mountain
Ranch), Community Facilities District No. 12
(Black Mountain Ranch Phase II – Southern
Village and The Clusters) and Community
Facilities District No. 13 (The Lakes)

cc: Poway Unified School District Public Financing Authority
Community Facilities District No. 4
Community Facilities District No. 12
Community Facilities District No. 13
Stifel, Nicolaus & Company, Incorporated
Zions First National Bank

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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: \$17,795,000
POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
2013 SPECIAL TAX REVENUE BONDS, SERIES B

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, Series B in the aggregate principal amount of \$17,795,000 (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 April 15, 2013 (the "Resolution of Issuance"), and an Indenture of Trust, dated as of May 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 Authority which the Authority believes to be reliable, but the Authority, the 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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