

**Administration Report
Fiscal Year 2011/2012**

Poway Unified School District
Improvement Area No. 1 of
Community Facilities District No. 2

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Introduction

This Administration Report ("Report") provides an analysis of the financial and administrative obligations of Improvement Area ("IA") No. 1 of Community Facilities District ("CFD") No. 2 of the Poway Unified School District ("School District"), pursuant to the Rate and Method of Apportionment ("RMA") attached as Exhibit A, for the purpose of calculating the Annual Special Tax levy for Fiscal Year 2011/2012.

The Report is organized into the following sections:

Section I

Section I provides a description of the Annual Special Tax levy for Fiscal Year 2010/2011.

Section II

Section II contains a description of the expenditure of Special Taxes to fund Authorized Facilities of IA No. 1 of CFD No. 2 through April 30, 2011, as directed by Senate Bill 165 ("SB 165").

Section III

Section III calculates the Minimum Annual Special Tax Requirement based on the financial obligations of IA No. 1 of CFD No. 2 for Fiscal Year 2011/2012.

Section IV

Section IV provides (i) a description of the Special Tax classifications and (ii) an update of the development which has occurred in IA No. 1 of CFD No. 2.

Section V

Section V describes the methodology used to apportion the Minimum Annual Special Tax Requirement among the properties within IA No. 1 of CFD No. 2 and lists the average Annual Special Tax rates for Fiscal Year 2011/2012.

I. Fiscal Year 2010/2011 Levy Summary

A. Special Tax Levy

The aggregate Annual Special Tax levy of IA 1 of CFD No. 2 in Fiscal Year 2010/2011 as well as a summary of the levy can be found in the table below.

Annual Special Tax Rates For Fiscal Year 2010/2011

Tax Class	Building Square Footage	Number of Units/Acres	Average Annual Special Tax Rate ^[1]	Total Annual Special Taxes
1	≤ 2,599	3 Units	\$1,311.42 per Unit	\$3,934.26
2	2,600 - 3,000	4 Units	\$1,417.96 per Unit	\$5,671.84
3	> 3,000	8 Units	\$1,551.16 per Unit	\$12,409.28
<i>Developed Property</i>		<i>15 Units</i>	<i>NA</i>	<i>\$22,015.38</i>
<i>Undeveloped Property</i>		<i>17.54 Acres</i>	<i>\$0.00 per Acre</i>	<i>\$0.00</i>
Total				\$22,015.38

[1] The average Annual Special Tax rate is the average of all the Special Tax rates in each Special Tax Class, therefore they may not reflect the actual Assigned Annual Special Tax rate for each parcel in a given Special Tax Class.

B. Special Tax Delinquencies

Dolinka Group, LLC has received delinquency information for IA 1 of CFD No. 2 for the first and second installments of Fiscal Year 2010/2011 from the County of San Diego ("County"). For Fiscal Year 2010/2011 (as of May 2, 2011), \$0.00 in Annual Special Taxes were delinquent yielding a delinquency rate of 0.00%.

II. Senate Bill 165 Compliance

The Board of Education ("Board") of the School District, pursuant to the provisions of the Local Agency Special Tax and Bond Accountability Act ("Accountability Act"), has directed the filing of the Special Tax and Bond Accountability Report for IA No. 1 of CFD No. 2. According to SB 165, any local special tax and/or bond measure subject to voter approval on or after January 1, 2001, must follow the requirements of the Accountability Act. All capitalized terms herein are used as defined in the RMA of IA No. 1 of CFD No. 2.

A. School Facilities

The acquisition, planning, construction, expansion and/or financing of those school facilities, including classrooms, multi-purpose, administration, and auxiliary space at each school, central support and administrative facilities, interim housing, transportation and special education facilities, together with furniture, equipment, and technology, including school buses, on-site office space at a school, central support and administrative facilities, interim housing, transportation and special education facilities, together with furniture, equipment and technology, needed by District in order to serve directly or indirectly the student population to be generated as a result of the development of the property within Improvement Area No. 1, together with all land or interests in land required for the construction of such facilities and all land or interests in land required to be provided by the District as mitigation of environmental impacts associated with the development of such school facilities as well as all that portion of the related incidental expenses and the costs to the District related to the negotiation, execution and implementation of the supplement to the Mitigation Agreement. "School Facilities" shall also mean the acquisition, planning, construction and/or financing of other additional school facilities ("Supplemental School Facilities"), including classrooms, multi-purpose, administration and auxiliary space at each school, central support and administrative facilities, interim housing, transportation and special education facilities, together with furniture, equipment and technology, including school buses, needed by District to serve the student population of the District and which are financed in whole or in part from the revenues of special taxes levied in any fiscal year on Developed Property within Improvement Area No. 1 in excess of that required to satisfy the special tax requirement for Improvement Area No. 1 for such fiscal year.

The Detailed scope and limits of specific projects will be determined as appropriate, consistent with the standards of the District. Addition, deletion, or modification of descriptions of School Facilities may be made consistent with the requirements of the Board of Education of the District, CFD No. 2 and the Act.

B. Bond Proceeds

Currently, no bonds have been issued for IA No. 1 of CFD No. 2, therefore, there are no allocation of bond proceeds.

C. Construction/Acquisition Accounts

As of April 30, 2011, no bonds have been issued for IA No. 1 of CFD No. 2. Since bonds have not been issued, no authorized facilities have been financed by IA No. 1 of CFD No. 2.

D. Special Tax Fund

Each Fiscal Year, IA 1 of CFD No. 2 will levy, collect, and expend Annual Special Taxes in an amount necessary to cover Administrative Expenses, and the fund school facilities necessary to serve students generated from residential units constructed within the boundaries of IA 1 of CFD No. 2. The table below presents a detailed listing of the Annual Special Taxes collected and expended by IA 1 of CFD No. 2 from May 1, 2010 through April 30, 2011.

Custodial Account

Balance as of May 1, 2010	\$0.00
Accruals	\$16,897.95
Expenditures	\$0.00
Balance as of April 30, 2011 ^[1]	\$16,897.95

[1] All Special Taxes collected by IA 1 of CFD No. 2 are currently being deposited into the Custodial Account of CFD No. 2. The balance reported above represents the Special Taxes deposited into the CFD No. 2 Custodial Account and not the total balance of the account. Currently no funds have been expended from the Custodial Account of CFD No. 2 on Authorized Facilities for IA 1 of CFD No. 2 as outlined in the ROI.

III. Minimum Annual Special Tax Requirement

For Fiscal Year 2011/2012, the Minimum Annual Special Tax Requirements for IA No. 1 of CFD No. 2, as calculated pursuant to the RMA, can be found in the table below.

**Minimum Annual Special Tax Requirement
For Fiscal Year 2011/2012**

FY 2011/2012 Obligations		\$92,140.40
Direct Construction/Additional Administrative Expense Budget	\$92,140.40	
Minimum Annual Special Tax Requirement		\$92,140.40

IV. Development Summary

Each Fiscal Year, the School District calculates the Annual Special Taxes to be levied against Taxable Property within IA No. 1 of CFD No. 2. Taxable Property is classified based on the issuance of a Building Permit. Specifically, Developed Property means, for any Fiscal Year, all Assessor's Parcels in IA No. 1 of CFD No. 2 for which a Building Permit has been issued as of March 1 of the previous Fiscal Year, provided that the Assessor's Parcel was created prior to January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot. The table below summarizes the Special Tax classification within IA No. 1 of CFD No. 2 for the previous Fiscal Year and Fiscal Year 2011/2012.

Special Tax Classification

Tax Class	Building Square Footage	Previous Fiscal Year	Fiscal Year 2011/2012
1	< 2,600	3 Units	13 Units
2	2,600 – 3,000	4 Units	20 Units
3	> 3,000	8 Units	28 Units
<i>Developed Property</i>		<i>15 Units</i>	<i>61 Units</i>
<i>Undeveloped Property</i>		<i>17.54 Acres</i>	<i>9.25 Acres</i>
Total		15 Units	61 Units

V. Fiscal Year 2011/2012 Levy Summary

The Special Tax rates of IA No. 1 of CFD No. 2 needed to meet the Minimum Annual Special Tax Requirement for Fiscal Year 2011/2012 are shown in the table below. The Special Tax roll, which lists the actual Special Tax levied against each Assessor's Parcel, is included as Exhibit B. For a more detailed explanation of the methodology used to apportion the Minimum Annual Special Tax Requirement among Developed Property and Undeveloped Property, please see the RMA.

Annual Special Tax Rates For Fiscal Year 2011/2012

Tax Class	Building Square Footage	Number of Units/Acres	Average Annual Special Tax Rate ^[1]	Total Annual Special Taxes
1	≤ 2,599	13 Units	\$1,360.64 per Unit	\$17,688.32
2	2,600 - 3,000	20 Units	\$1,472.19 per Unit	\$29,443.84
3	> 3,000	28 Units	\$1,607.44 per Unit	\$45,008.24
<i>Developed Property</i>		<i>61 Units</i>	<i>NA</i>	<i>\$92,140.40</i>
<i>Undeveloped Property</i>		<i>9.25 Acres</i>	<i>\$0.00 per Acre</i>	<i>\$0.00</i>
Total				\$92,140.40

[1] The average Annual Special Tax rate is the average of all the Special Tax rates in each Special Tax Class, therefore they may not reflect the actual Assigned Annual Special Tax rate for each parcel in a given Special Tax Class.

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Exhibit A

Rate and Method of Apportionment

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

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

**SECTION A
DEFINITIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"City" means the City of San Diego.

"County" means the County of San Diego.

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

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

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

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

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

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

"Inflator" means the greater of (i) the annual percentage change in the Index or (ii) two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index should be calculated for twelve (12) months ending December 31st of the prior Fiscal Year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

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

SECTION C MAXIMUM SPECIAL TAXES

1. Developed Property

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

2. Undeveloped Property

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

**SECTION D
ASSIGNED ANNUAL SPECIAL TAXES**

1. Developed Property

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

TABLE 1

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

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

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

2. Undeveloped Property

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

Each July 1, commencing July 1, 2010 the Assigned Annual Special Tax rate per acre of Acreage of Undeveloped Property shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the 12 months ending December 31 of the prior Fiscal Year.

**SECTION E
BACKUP ANNUAL SPECIAL TAXES**

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

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

The terms above have the following meanings:

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

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

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

1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified area in the Final Subdivision Map prior to the change or modification in the current Fiscal Year.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified area in the Final Subdivision Map, as reasonably determined by the Board.

3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified area of the Final Subdivision Map. Each July 1, commencing the July 1 first following the change or modification to the Final Subdivision Map the amount determined by this Section shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

SECTION F METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

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

Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

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

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

SECTION G PREPAYMENT OF ANNUAL SPECIAL TAXES

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

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

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

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

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

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records of IA No. 1 of CFD No. 2 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

SECTION H EXCESS ASSIGNED ANNUAL SPECIAL TAXES

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

SECTION I TERMINATION OF SPECIAL TAX

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

SECTION J EXEMPTIONS

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

SECTION K APPEALS

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

SECTION L
MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that IA No. 1 of CFD No. 2 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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Exhibit B

**Annual Special Tax Roll
Fiscal Year 2011/2012**

**Poway Unified School District
Improvement Area No. 1 of CFD No. 2
Special Tax Levy For Fiscal Year 2011/2012**

Book	Page	Parcel	Interest	Special Tax
306	430	1	0	\$0.00
306	430	2	0	\$0.00
306	430	3	0	\$1,582.18
306	430	4	0	\$1,582.18
306	430	5	0	\$1,446.32
306	430	6	0	\$1,582.18
306	430	7	0	\$1,446.32
306	430	8	0	\$1,337.64
306	430	9	0	\$0.00
306	430	10	0	\$0.00
306	430	11	0	\$0.00
306	430	12	0	\$1,367.54
306	430	13	0	\$1,617.54
306	430	14	0	\$0.00
306	430	15	0	\$0.00
306	430	16	0	\$0.00
306	430	17	0	\$0.00
306	430	18	0	\$0.00
306	430	19	0	\$0.00
306	430	20	0	\$1,582.18
306	430	21	0	\$1,337.64
306	430	22	0	\$1,446.32
306	430	23	0	\$1,582.18
306	430	24	0	\$1,582.18
306	430	25	0	\$1,446.32
306	430	26	0	\$1,617.54
306	430	27	0	\$1,478.66
306	430	28	0	\$1,617.54
306	430	29	0	\$1,478.66
306	430	30	0	\$1,617.54
306	430	31	0	\$1,478.66
306	430	32	0	\$1,617.54
306	430	33	0	\$1,478.66
306	430	34	0	\$0.00
306	430	35	0	\$0.00
306	430	36	0	\$1,478.66
306	430	37	0	\$1,617.54
306	430	38	0	\$1,617.54
306	430	39	0	\$1,367.54
306	430	40	0	\$1,617.54
306	430	41	0	\$1,478.66
306	430	42	0	\$1,367.54
306	430	43	0	\$1,478.66
306	430	44	0	\$1,617.54

**Poway Unified School District
Improvement Area No. 1 of CFD No. 2
Special Tax Levy For Fiscal Year 2011/2012**

Book	Page	Parcel	Interest	Special Tax
306	430	45	0	\$1,478.66
306	430	46	0	\$1,617.54
306	430	47	0	\$1,617.54
306	430	48	0	\$1,367.54
306	430	49	0	\$1,478.66
306	430	50	0	\$1,617.54
306	430	51	0	\$1,478.66
306	430	52	0	\$1,367.54
306	430	53	0	\$1,617.54
306	430	54	0	\$0.00
306	430	55	0	\$0.00
306	430	57	0	\$0.00
306	430	58	0	\$0.00
306	430	59	0	\$0.00
306	431	1	0	\$1,617.54
306	431	2	0	\$1,367.54
306	431	3	0	\$1,478.66
306	431	4	0	\$1,617.54
306	431	5	0	\$1,478.66
306	431	6	0	\$1,617.54
306	431	7	0	\$1,367.54
306	431	8	0	\$1,617.54
306	431	9	0	\$1,617.54
306	431	10	0	\$1,367.54
306	431	11	0	\$1,478.66
306	431	12	0	\$1,617.54
306	431	13	0	\$0.00
306	431	14	0	\$0.00
306	431	15	0	\$0.00
306	431	16	0	\$0.00
306	431	17	0	\$0.00
306	431	18	0	\$0.00
306	431	19	0	\$0.00
306	431	20	0	\$1,582.18
306	431	21	0	\$1,582.18
306	431	22	0	\$1,337.64
306	431	23	0	\$0.00
306	431	24	0	\$0.00
306	431	25	0	\$0.00
306	431	26	0	\$0.00
306	431	27	0	\$0.00
306	431	28	0	\$0.00
306	431	29	0	\$0.00
306	431	30	0	\$0.00

**Poway Unified School District
Improvement Area No. 1 of CFD No. 2
Special Tax Levy For Fiscal Year 2011/2012**

Book	Page	Parcel	Interest	Special Tax
306	431	31	0	\$0.00
306	431	32	0	\$0.00
306	431	33	0	\$0.00
306	431	34	0	\$0.00
306	431	35	0	\$0.00
306	431	36	0	\$0.00
306	431	37	0	\$0.00
306	431	38	0	\$0.00
306	431	39	0	\$0.00
306	431	40	0	\$0.00
306	431	41	0	\$0.00
306	431	42	0	\$0.00
306	431	43	0	\$0.00
306	431	44	0	\$0.00
306	431	45	0	\$1,367.54
306	431	46	0	\$1,478.66
306	431	47	0	\$1,617.54
306	431	48	0	\$1,478.66
306	431	49	0	\$1,367.54
306	431	50	0	\$1,478.66
306	431	51	0	\$0.00
306	431	52	0	\$0.00
306	431	53	0	\$0.00
306	431	54	0	\$0.00
306	431	55	0	\$0.00
306	431	56	0	\$0.00
306	431	57	0	\$0.00

Major Conclusions	
Total Number of Parcels	115
Number of Parcels Taxed	61
Total Special Tax Levy for Fiscal Year 2011/2012	\$92,140.40