NEW ISSUE– BOOK-ENTRY ONLY **Not Rated**

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, the interest on the 2016 Bonds is excluded from gross income for federal income tax purposes and 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 tax. See "LEGAL MATTERS – Tax Exemption" herein.

$1,995,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV)
IMPROVEMENT AREA F
SPECIAL TAX REFUNDING BONDS, SERIES 2016

Dated: Date of Delivery **Due: September 1, as shown on the inside cover**

The Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area F Special Tax Refunding Bonds, Series 2016 (the "2016 Bonds"), are being issued under the Mello-Roos Community Facilities Act of 1982 (the "Act") and the Bond Indenture, dated as of December 1, 2016 (the "Indenture"), by and between Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) (the "Community Facilities District") and Zions Bank, a division of ZB, National Association, as fiscal agent (the "Fiscal Agent").

The 2016 Bonds are payable from proceeds of Improvement Area F Net Special Tax Revenues (as defined herein) levied pursuant to the First Amended Rate and Method of Apportionment for Improvement Area F of Community Facilities District No. 10 of Poway Unified School District (the "Improvement Area F Rate and Method") approved by the qualified electors of Improvement Area F of the Community Facilities District ("Improvement Area F") and by the Board of Education of the Poway Unified School District (the "School District"), acting as the legislative body of the Community Facilities District (the "Board of Education").

The 2016 Bonds are being issued (i) to refund and defease the outstanding Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area F 2011 Special Tax Bonds (the "Prior Special Tax Bonds"), (ii) to pay the costs of issuing the 2016 Bonds and (iii) to fund the deposit to the Reserve Fund equal to the Reserve Requirement applicable to the 2016 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Interest on the 2016 Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2017. The 2016 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The 2016 Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2016 Bonds as described herein under "THE 2016 BONDS – Book-Entry and DTC."

The 2016 Bonds are subject to optional redemption, mandatory redemption from prepayment of Improvement Area F Special Taxes and mandatory redemption as described herein.

THE 2016 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2016 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE 2016 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN) OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2016 BONDS. OTHER THAN THE IMPROVEMENT AREA F SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA F RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2016 BONDS. THE 2016 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE IMPROVEMENT AREA F SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA F RATE AND METHOD, AS MORE FULLY DESCRIBED HEREIN.

This cover page contains certain information for general reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the 2016 Bonds involves risks which may not be appropriate for some investors. See "BONDOWNERS' RISKS" herein for a discussion of risk factors that should be considered in evaluating the investment quality of the 2016 Bonds.

The 2016 Bonds are 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 School District and the Community Facilities District by Best Best & Krieger LLP, as special counsel, and by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Disclosure Counsel. Additionally, Nossaman LLP, Irvine, California, has reviewed certain matters for the Underwriter. It is anticipated that the 2016 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about December 6, 2016.

STIFEL

Dated: November 10, 2016

MATURITY SCHEDULE

$1,995,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV)
IMPROVEMENT AREA F
SPECIAL TAX REFUNDING BONDS, SERIES 2016

Base CUSIP® No. † 738855

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†	Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†
2017	$50,000	2.000%	0.810%	B38	2027	$65,000	3.000%	3.110%	C52
2018	35,000	2.000	1.120	B46	2028	65,000	3.000	3.250	C60
2019	35,000	2.000	1.410	B53	2029	70,000	3.125	3.400	C78
2020	40,000	2.000	1.660	B61	2030	80,000	3.250	3.520	C86
2021	40,000	2.000	1.920	B79	2031	80,000	3.375	3.640	C94
2022	45,000	2.000	2.180	B87	2032	85,000	3.500	3.760	D28
2023	50,000	2.000	2.400	B95	2033	95,000	3.625	3.820	D36
2024	50,000	2.250	2.600	C29	2034	95,000	3.750	3.920	D44
2025	55,000	2.500	2.790	C37	2035	105,000	3.750	3.960	D51
2026	60,000	2.625	2.940	C45					

$230,000 4.00% Term 2016 Bonds due September 1, 2037 – Yield 4.02% CUSIP® No. † 738855 D69
$565,000 4.00% Term 2016 Bonds due September 1, 2041 – Yield 4.09% CUSIP® No. † 738855 D77

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® 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 Community Facilities District, the School District and the Underwriter take no any responsibility for the accuracy of such numbers.

POWAY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Michelle O'Connor-Ratcliff, *President*
T.J. Zane, *Vice President*
Andy Patapow, *Clerk of the Board*
Kimberley Beatty, *Member*
Charles Sellers, *Member*

SUPERINTENDENT

Mel Robertson, Ed.D., *Acting Superintendent*[1]
Kamran Azimzadeh, *Interim Associate Superintendent, Business Support Services*

BOND COUNSEL

Best Best & Krieger LLP
San Diego, California

COMMUNITY FACILITIES DISTRICT & SCHOOL DISTRICT SPECIAL COUNSEL

Best Best & Krieger LLP
San Diego, California

DISCLOSURE COUNSEL

James F. Anderson Law Firm, A Professional Corporation
Laguna Hills, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates
Irvine, California

SPECIAL TAX CONSULTANT, CFD ADMINISTRATOR & DISSEMINATION AGENT

Cooperative Strategies, LLC
Irvine, California

FISCAL AGENT & ESCROW BANK

Zions Bank, a division of ZB, National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

[1] At the November 15, 2016, Board meeting, the Board is scheduled to consider an employment agreement for an Interim Superintendent with Dr. Tony Apostle, which if approved, will become effective November 16, 2016.

GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the 2016 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 2016 Bonds. All information for investors regarding the Community Facilities District and the 2016 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 2016 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 Community Facilities District in any press release and in any oral statement made with the approval of an authorized officer of the Community Facilities District 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 Community Facilities District or any other entity described or referenced herein since the date hereof. The Community Facilities District does 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 Community Facilities District to give any information or to make any representations in connection with the offer or sale of the 2016 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 Community Facilities District 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 2016 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 Community Facilities District or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the 2016 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 2016 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 2016 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 2016 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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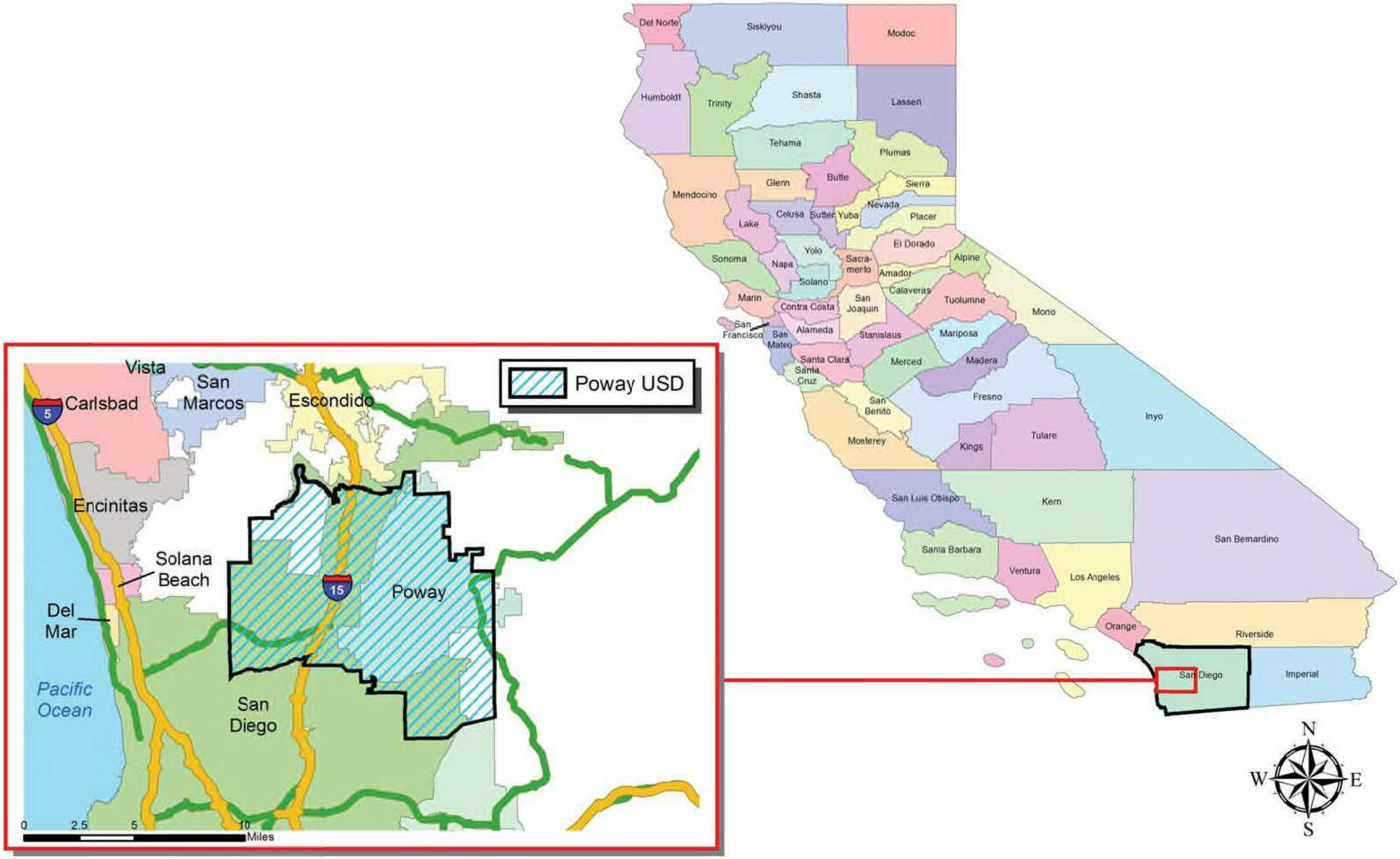
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Trinity
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Solano
Calaveras
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San Francisco
Alameda
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OFFICIAL STATEMENT

$1,995,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV)
IMPROVEMENT AREA F
SPECIAL TAX REFUNDING BONDS, SERIES 2016

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 pages 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 2016 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, including the cover pages and Appendices hereto, is provided to furnish information regarding the Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area F Special Tax Refunding Bonds, Series 2016 (the "2016 Bonds").

The 2016 Bonds are issued pursuant to the Act (as defined below) and the Bond Indenture, dated as of December 1, 2016 (the "Indenture"), by and between Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) (the "Community Facilities District") and Zions Bank, a division of ZB, National Association, as fiscal agent (the "Fiscal Agent"). See "THE 2016 BONDS – Authority of Issuance" herein.

The Community Facilities District may issue additional bonds payable on a parity with the 2016 Bonds pursuant to the provisions of the Indenture for refunding purposes only. See "SECURITY FOR THE 2016 BONDS – Parity Bonds for Refunding Purposes Only."

The School District

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California (the "State"). The School District was established in 1962. The School District provides educational instruction for grades TK-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 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz, StoneBridge Estates and Torrey Highlands. The School District currently operates 25 elementary schools (TK-5), six middle schools (6-8), one K-8 school, five high schools (9-12) and one continuation high school. The School District's second period report (P-2, the period from July 1 to April 15) of average daily attendance ("ADA"), computed in accordance with State law for the 2016-17 academic year, is estimated to be 34,587. The estimated population within the School District's boundaries was approximately 197,571 as of January 1, 2015. The School District reported 35,959 students enrolled at the California Longitudinal Pupil Achievement Data System ("CALPADS" formerly California Basic Educational Data System ("CBEDS")) during Fiscal Year 2015-16. See APPENDIX A – "General Information About the Poway Unified School District" herein.

The Community Facilities District and Improvement Area F

The Community Facilities District and six (6) Improvement Areas therein designated as Improvement Areas A through F inclusive, were formed and established by the School District on August 27, 2001, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code, the "Act"), following a public hearing and landowner elections at which the qualified electors of each Improvement Area of the Community Facilities District, by more than a two-thirds vote, authorized the Community Facilities District to incur a separate bonded indebtedness of the Community Facilities District for each Improvement Area to finance the acquisition of certain road improvements (the "City Facilities"). The qualified electors of Improvement Area F authorized bonded indebtedness in the aggregate not-to-exceed amount of $3,500,000 and approved the levy of special taxes in Improvement Area F. The qualified electors of the Community Facilities District also authorized the issuance of bonds to finance school facilities (the "School Facilities") in the aggregate principal amount of not to exceed $45,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax ("CFD No. 10 Rate and Method") levied on property within the Community Facilities District (including Improvement Area F). On April 19, 2010, following a public hearing and landowner elections, the qualified electors of Improvement Area F approved a First Amended Rate and Method of Apportionment of Special Tax (the "Improvement Area F Rate and Method" and together with the CFD No. 10 Rate and Method, each a "Rate and Method"). No cross-collateralization exists between bonds of Improvement Area A, Improvement Area B, Improvement Area C, Improvement Area D, Improvement Area E and Improvement Area F. See "SECURITY FOR THE 2016 BONDS – Rates and Methods – Improvement Area F Rate and Method" and "COMMUNITY FACILITIES DISTRICT NO. 10 (Torrey Highlands – Subarea IV) IMPROVEMENT AREA F."

The cost of the School Facilities is expected to exceed the cost of the City Facilities. The School Facilities are financed in part by the annual levy of a special tax on Developed Property within Improvement Area F as set forth in the CFD No. 10 Rate and Method and the annual levy of a supplemental special tax ("Supplemental Annual Special Tax") as set forth in the Improvement Area F Rate and Method. See "SECURITY FOR THE 2016 BONDS – Rates and Methods." The School District uses such annual special taxes and bond proceeds secured thereby for the acquisition, construction, rehabilitation, improvement of the School Facilities and related administrative expenses. A portion of the Special Taxes (as defined in the Indenture) on Developed Property within Improvement Area F as set forth in the Improvement Area F Rate and Method and bond proceeds secured by the Supplemental Annual Special Tax may be used for the acquisition, construction, rehabilitation, improvement of the School Facilities and related expenses. The 2016 Bonds are not secured by or payable from the Supplemental Annual Special Tax levied to finance the School Facilities.

Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified voters within a community facilities district or improvement area therein, as applicable, and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect special taxes to repay such bonded indebtedness, including interest thereon.

Improvement Area F of the Community Facilities District is located at the north end of Torrey Ranch Court, which is north of Torrey Meadows Dr. and west of Camino del Sur, in the northerly part of the City of San Diego. This location is in the general area known as Torrey Highlands, with the 56 (Ted Williams) Freeway about 1/2 mile to the south and the I-15 Freeway about 3 miles to the east. Improvement Area F consists of approximately 14.8 gross acres (7.63 net taxable acres) developed with 73 single-family detached units.

The 2016 Bonds will only refinance the Prior Special Tax Bonds and will not finance eligible School Facilities and will not finance City Facilities or School Facilities. The 2016 Bonds will not be secured by or payable from the special tax pursuant to the Improvement Area Rate and Method of any other Improvement Area of the Community Facilities District or from the Community Facilities District Special Tax pursuant to the Community Facilities District Rate and Method. *The 2016 Bonds are not secured by or payable from the Supplemental Annual Special Tax levied pursuant to the Improvement Area F Rate and Method.*

The Community Facilities District levies an annual special tax (the "Improvement Area F Special Tax") on Developed Property as set forth in the Improvement Area F Rate and Method (the "Improvement Area F Rate and Method," and together with the Community Facilities District Rate and Method, are each referred to herein as a "Rate and Method" and together as the "Rates and Methods"). Improvement Area F is built out and there is no Undeveloped Property in Improvement Area F. See "SECURITY FOR THE 2016 BONDS – Rates and Methods – Improvement Area F Rate and Method." Annual Improvement Area F Special Taxes will be levied on Taxable Property within Improvement Area F. The Community Facilities District will use proceeds of the Improvement Area F Bonds to refund the outstanding Prior Special Tax Bonds. The 2016 Bonds are secured by or payable from the Improvement Area F Special Tax levied pursuant to the Improvement Area F Rate and Method. THE 2016 BONDS WILL NOT BE SECURED BY OR PAYABLE FROM THE COMMUNITY FACILITIES DISTRICT SPECIAL TAX AUTHORIZED TO BE LEVIED TO FINANCE THE SCHOOL FACILITIES OR BY THE SUPPLEMENTAL ANNUAL SPECIAL TAX LEVIED IN IMPROVEMENT AREA F TO FINANCE SCHOOL FACILITIES.

See "COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV) IMPROVEMENT AREA F" for a description of the Community Facilities District, Improvement Area F and the development within Improvement Area F.

Sources of Payment for the 2016 Bonds

The 2016 Bonds are secured by and payable from a first pledge of "Net Special Tax Revenues," of Improvement Area F (referred to herein as "Improvement Area F Net Special Tax Revenues"), which is defined in the Indenture as (a) proceeds of the Improvement Area F Special Taxes levied and received by the Community Facilities District, (b) the net amounts (the "Delinquency Proceeds") collected from the redemption of delinquent Improvement Area F 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 Improvement Area F Special Taxes resulting from the delinquency in the payment of the Improvement Area F Special Taxes due and payable on such property, and net of County fees, foreclosure counsel fees and other fees and expenses incurred by or on behalf of the Community Facilities District or the School District in undertaking such foreclosure proceedings and (c) the Improvement Area F Special Tax Revenues identified to the Fiscal Agent by an authorized representative as representing a prepayment of the Improvement Area F Special Tax for one or more parcels in Improvement Area F made in accordance with the Improvement Area F Rate and Method 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 and (d) less an amount equal to the Administrative Expense Requirement applicable to the Bonds for such Bond Year (the "Administrative Expense Requirement" is defined in the Indenture as an annual amount equal to $19,023.63 for the Bond Year ending September 1, 2017, and escalating by 2% each Bond Year thereafter commencing September 2, 2017. See "SECURITY FOR THE 2016 BONDS – Improvement Area F Special Tax Fund." "Special Tax" (defined herein as the "Improvement Area F Special Tax") is defined in the Indenture as the special tax authorized to be levied in Improvement Area F pursuant to the Mello-Roos Act and the Improvement Area F Rate and Method.

Pursuant to the Act, the Improvement Area F Rate and Method, the Resolution of Formation (as defined herein) and the Indenture, so long as the 2016 Bonds are outstanding, the Community Facilities District will annually ascertain the parcels on which the Improvement Area F Special Taxes are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the applicable Fiscal Year. The Community Facilities District shall effect the levy of the Improvement Area F Special Taxes in accordance with the Improvement Area F Rate and Method and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County before the final date on which the Auditor of the County will accept the transmission of the Improvement Area F Special Taxes for the parcels within Improvement Area F for inclusion on the next real property tax roll. See "SECURITY FOR THE 2016 BONDS – Improvement Area F Special Taxes" herein.

The Improvement Area F Rate and Method exempts from the Improvement Area F Special Tax all property owned by the State, the federal government and local governments, as well as certain other properties, subject to certain limitations. See "SECURITY FOR THE 2016 BONDS – Rates and Methods" and "BONDOWNERS' RISKS – Exempt Properties." A Reserve Fund will be established out of the proceeds of the sale of the 2016 Bonds in an amount equal to the Reserve Requirement."

The 2016 Bonds are also secured by a first pledge of all moneys deposited in the Reserve Fund. See "SECURITY FOR THE 2016 BONDS."

The Indenture defines Reserve Requirement as an amount, as of the date of calculation, equal to the least of (i) the then maximum annual debt service on the 2016 Bonds, (ii) 125% of the then average annual debt service on the 2016 Bonds or (iii) 10% of the original issue price of the 2016 Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1). The ability of the Board of Education, in its capacity as legislative body of the Community Facilities District (the "Board of Education"), to increase the annual Improvement Area F Special Taxes levied to replenish the Reserve Fund is subject to the maximum annual amount of Improvement Area F Special Taxes authorized by the qualified voters of Improvement Area F and the limitation imposed by Section 53321 of the Act as applied to Improvement Area F. The moneys in the Reserve Fund will only be used for payment of principal of, interest and any redemption premium on the 2016 Bonds, and at the direction of the Community Facilities District, for payment of rebate obligations related to the 2016 Bonds. See "SECURITY FOR THE 2016 BONDS – Rates and Methods – Improvement Area F Rate and Method – *Prepayment of Annual Special Taxes* – Table 3" and " – Reserve Fund."

The Community Facilities District has also covenanted in the Indenture to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Improvement Area F Special Taxes. For a more detailed description of the foreclosure covenant see "SECURITY FOR THE 2016 BONDS – Proceeds of Foreclosure Sales."

THE 2016 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2016 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE 2016 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN) OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2016 BONDS. OTHER THAN THE IMPROVEMENT AREA F SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA F RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE

2016 BONDS. THE 2016 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE IMPROVEMENT AREA F SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA F RATE AND METHOD, AS MORE FULLY DESCRIBED HEREIN.

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 2016 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 2016 Bonds will be exempt from State personal income taxes. See "LEGAL MATTERS – Tax Exemption" herein.

Risk Factors Associated with Purchasing the 2016 Bonds

Investment in the 2016 Bonds involves risks that may not be appropriate for some investors. See the section of this Official Statement entitled "BONDOWNERS' RISKS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the 2016 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 "COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV) IMPROVEMENT AREA F" herein.

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 COMMUNITY FACILITIES DISTRICT 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 Bank, a division of ZB, National Association, Los Angeles, California, will serve as the fiscal agent for the 2016 Bonds and will perform the functions required of it under the Indenture for the payment of the principal of and interest and any premium on the 2016 Bonds and all activities related to the redemption of the 2016 Bonds. Best Best & Krieger LLP, San Diego, California, is serving as Bond Counsel to the Community Facilities District and as special counsel to the School District. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is acting as Disclosure Counsel. Stifel, Nicolaus & Company, Incorporated, Los Angeles, California, is acting as Underwriter in connection with the issuance and delivery of the 2016 Bonds. Nossaman LLP, Irvine, California, is acting as Underwriter's Counsel.

Fieldman, Rolapp & Associates, Irvine, California, acted as Financial Advisor to the School District and the Community Facilities District, and Cooperative Strategies, LLC, Irvine, California, acted as Special Tax Consultant, CFD Administrator and Dissemination Agent to the Community Facilities District. Causey Demgen & Moore P.C., Denver, Colorado, is acting as Verification Agent.

Payment of the fees and expenses of the Underwriter, Underwriter's Counsel and the Fiscal Agent is contingent upon the sale and delivery of the 2016 Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the 2016 Bonds, certain sections of the Indenture, security for the 2016 Bonds, risk factors, the Community Facilities District, Improvement Area F, the School 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 2016 Bonds, the Indenture, 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 2016 Bonds, the Indenture, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of such documents may be obtained from the Director of Capital Facilities Funding and Planning 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.

CONTINUING DISCLOSURE

The Community Facilities District. The Community Facilities District will covenant in the Community Facilities District Continuing Disclosure Agreement, the form of which is set forth in APPENDIX D – "Form of Continuing Disclosure Agreement" (the "Continuing Disclosure Agreement"), for the benefit of owners and beneficial owners of the 2016 Bonds, to provide certain financial and operating data relating to the Community Facilities District, Improvement Area F and the 2016 Bonds by not later than January 31 in each year commencing on January 31, 2017 (the "Community Facilities District Annual Report"), and to provide notices of the occurrence of certain listed events. The report for January 31, 2017, will consist of the Official Statement.

The Community Facilities District Annual Report will either be filed by the Community Facilities District, or Cooperative Strategies, LLC, as Dissemination Agent on behalf of the Community Facilities District, with the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access System (the "EMMA System"), in an electronic format and accompanied by identifying information as prescribed by the MSRB, with a copy to the Fiscal Agent. Any notice of a listed event will be filed by the Community Facilities District, or the Dissemination Agent on behalf of the Community Facilities District, with the MSRB through the EMMA System. The specific nature of the information to be contained in the Community Facilities District Annual Report or any notice of a listed event is set forth in the Continuing Disclosure Agreement. The covenants of the Community Facilities District in the Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Securities and 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 Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Community Facilities District or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel performance.

Prior Disclosure Compliance by the Community Facilities District. The Community Facilities District is the obligated person under the Continuing Disclosure Agreement. A review of compliance with disclosure undertakings for filings required by the Community Facilities District since October 2, 2011, indicates that the Community Facilities District may not have fully complied with its prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by the Community Facilities District, the Authority or the School District that the late filings were material. The review indicated that the annual reports or the audited financial statements filed with respect to various financings by the Community Facilities District were filed after the filing due date by up to five days and in some cases specific information to be included in an annual report was not included in the annual report filed. Based on the review, specific information not included in an annual report not previously filed has since been filed on the EMMA website by the Community Facilities District.

Prior Disclosure Compliance by the Poway Unified School District Public Financing Authority, the School District and Other Community Facilities Districts. A review of compliance with disclosure undertakings for filings required by the Poway Unified School District Public Financing Authority (the "Authority"), the School District or by other community facilities districts formed by the School District (other than the Community Facilities District), since October 2, 2011, indicates that the Authority, the School District or other community facilities districts formed by the School District may not have fully complied with their prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by the Community Facilities District, the Authority, the School District or any other community facilities district formed by the School District that the late filings were material or that the Authority, the School District or any other community facilities district formed by the School District, other than the Community Facilities District, is an obligated person under the Rule for this transaction. The review indicates that annual reports or audited financial statements filed with respect to various financings by the School District, the Authority or by another community facilities district formed by the School District, other than the Community Facilities District, were filed after the filing due date by a range of a few days to approximately one month or in some cases audited financial statements and budgets were incorporated by reference to the EMMA website in the Annual Reports filed by the School District, in some cases information specifically to be included in an annual report was not included in the annual report filed, and in one case with respect to an Authority financing, a filing made did not clearly incorporate by reference information included in the related official statement or include all of the information to be included in the annual report which was not otherwise included in the filing.

Additionally, notices of rating changes were not always filed with respect to financings by the School District, Community Facilities District No. 1 of the Poway Unified School District, Community Facilities District No. 6 of the Poway Unified School District and the Authority and notices of redemption with respect to financings by various community facilities districts (other than the Community Facilities District) formed by the School District, and the Authority were prepared for filing in January 2013, but the Fiscal Agent mistakenly uploaded to the EMMA website a notice of partial redemption relating to an unrelated issuer's financing. The Community Facilities District believes that notices listing all ratings changes for existing continuing disclosure undertakings have since been filed by the applicable entities and such applicable entities are currently incompliance with their respective undertakings.

In order to remain in compliance with their respective undertakings in the future, the School District, the community facilities districts, including the Community Facilities District, and the Authority have implemented procedures to file their annual reports on a timely basis and coordinate the efforts of personnel and firms responsible for preparing and/or monitoring compliance with the respective disclosure undertakings.

THE FINANCING PLAN

Refunding Plan. A portion of the proceeds of the 2016 Bonds, together with other available funds, will be used to refund and defease all of the outstanding Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area F 2011 Special Tax Bonds (the "Prior Special Tax Bonds"), currently outstanding in the aggregate principal amount of $1,695,000.

Proceeds from the sale of the 2016 Bonds, together with certain available moneys on hand, will be deposited into an escrow fund established under an escrow agreement, dated as of December 1, 2016 (the "Escrow Agreement"), by and between the Community Facilities District and Zions Bank, a division of ZB, National Association, as escrow bank (the "Escrow Bank"), and used to defease the Prior Special Tax Bonds as of the date of issuance of the 2016 Bonds.

Amounts deposited under the Escrow Agreement will be held in an escrow fund and may be invested in State and Local Government Series, open market treasury securities and/or may be held as cash. Causey Demgen & Moore P.C., Denver, Colorado (the "Verification Agent"), will verify that the amounts deposited, together with investment earnings thereon, if any, will be sufficient to pay (i) on March 1, 2017, the interest due on the Prior Special Tax Bonds, and (ii) on March 1, 2017, the principal amount of the Prior Special Tax Bonds maturing on and after September 1, 2017, at a redemption price equal to 103% of the principal amount thereof, together with the accrued interest to March 1, 2017.

Upon issuance of the 2016 Bonds, the Verification Agent will verify the arithmetical accuracy of certain computations included in the schedules provided by the Underwriter and the Fiscal Agent for the Prior Special Tax Bonds relating to: (i) the adequacy of forecasted receipts of principal and interest on the governmental obligations and cash to be held pursuant to the Escrow Agreement; (ii) forecasted payments of principal, interest and redemption price with respect to the Prior Special Tax Bonds on March 1, 2017; and (iii) yields with respect to the Prior Special Tax Bonds and on the governmental obligations to be deposited under the Escrow Agreement. Such verification will be based solely upon information and assumptions supplied to the Verification Agent by the Underwriter and the Fiscal Agent for the Prior Special Tax Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2016 Bonds, and other funds related to the Prior Special Tax Bonds, will be deposited into the following respective accounts and funds established under the Indenture, as follows:

SOURCES	
Principal Amount of 2016 Bonds	$1,995,000.00
Less: Original Issue Discount	(30,922.35)
Less: Underwriter's Discount	(44,887.50)
Prior Debt Service Reserve Fund	168,110.60
Total Sources	$2,087,300.75
USES	
Deposit into Escrow Fund	$1,794,730.46
Deposit into Reserve Fund [1]	159,462.81
Deposit into Costs of Issuance Fund [2]	133,107.48
Total Uses	$2,087,300.75

(1) Equal to the Reserve Requirement with respect to the 2016 Bonds as of the date of delivery of the 2016 Bonds.

(2) Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the cost of printing the preliminary and final Official Statements, the fees of the Special Tax Consultant, the Fiscal Agent, the Escrow Bank, and the Verification Agent.

THE 2016 BONDS

Authority for Issuance

The 2016 Bonds will be issued pursuant to the Act and the Indenture.

General Provisions

The 2016 Bonds will be dated their date of delivery and will bear interest 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 semi-annually on each March 1 and September 1, commencing on March 1, 2017 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2016 Bonds will be issued in fully-registered form in denominations of $5,000 each or any integral multiple thereof and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2016 Bonds. Ownership interests in the 2016 Bonds may be purchased in book-entry form only, in denominations of $5,000 or any integral multiple thereof within a single maturity. So long as the 2016 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2016 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2016 Bonds in accordance with the procedures adopted by DTC. See "THE 2016 BONDS – Book-Entry and DTC."

Each 2016 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, or (ii) the date of authentication is after the 15th calendar day of the month immediately preceding an Interest Payment Date whether or not such day is a Business Day (the "Record Date") but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on February 15, 2017, in which event interest shall be payable from the date of such 2016 Bonds; *provided, however*, that if at the time of authentication of a 2016 Bond, interest is in default, interest on that 2016 Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

Interest on the 2016 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed by first-class mail, postage prepaid, on the Interest Payment Date or on the next Business Day following the Interest Payment Date if such Interest Payment Date is not a Business Day to the registered Owner thereof as of the close of business on the Record Date immediately preceding such Interest Payment Date. Such interest shall be paid by check of the Fiscal Agent mailed to such Bondowner at his or her address as it appears on the books of registration maintained by the Fiscal Agent or upon the request in writing prior to the Record Date of a Bond Owner of at least $1,000,000 in aggregate principal amount of 2016 Bonds by wire transfer in immediately available funds (i) to the DTC (if the 2016 Bonds are in book-entry form), or (ii) to an account in the United States of America designated by such Owner. Such instructions shall continue in effect until revoked in writing, or until such 2016 Bonds are transferred to a new Owner. The principal of the 2016 Bonds and any premium on the 2016 Bonds due upon the redemption thereof are payable by check in lawful money of the United States of America upon presentation and surrender of the 2016 Bonds at maturity or the earlier redemption thereof at the Principal Corporate Trust Office of the Fiscal Agent (currently in Los Angeles, California).

Debt Service Schedule

The following table presents the annual debt service on the 2016 Bonds (including sinking fund redemptions), assuming that there are no early redemptions.

Table 1
Poway Unified School District
Community Facilities District No. 10 (Torrey Highlands – Subarea IV)
Improvement Area F

Scheduled Annual Debt Service on 2016 Bonds

Year Ending September 1	Principal	Interest	Total Debt Service
2017	$50,000	$49,379.26	$99,379.26
2018	35,000	66,081.26	101,081.26
2019	35,000	65,381.26	100,381.26
2020	40,000	64,681.26	104,681.26
2021	40,000	63,881.26	103,881.26
2022	45,000	63,081.26	108,081.26
2023	50,000	62,181.26	112,181.26
2024	50,000	61,181.26	111,181.26
2025	55,000	60,056.26	115,056.26
2026	60,000	58,681.26	118,681.26
2027	65,000	57,106.26	122,106.26
2028	65,000	55,156.26	120,156.26
2029	70,000	53,206.26	123,206.26
2030	80,000	51,018.76	131,018.76
2031	80,000	48,418.76	128,418.76
2032	85,000	45,718.76	130,718.76
2033	95,000	42,743.76	137,743.76
2034	95,000	39,300.00	134,300.00
2035	105,000	35,737.50	140,737.50
2036	110,000	31,800.00	141,800.00
2037	120,000	27,400.00	147,400.00
2038	125,000	22,600.00	147,600.00
2039	140,000	17,600.00	157,600.00
2040	145,000	12,000.00	157,000.00
2041	155,000	6,200.00	161,200.00
Total	$1,995,000	$1,160,591.92	$3,155,591.92

Estimated Debt Service Coverage

The following table presents the estimated Improvement Area F Net Special Tax Revenues, annual debt service on the 2016 Bonds (including sinking fund redemptions), assuming that there are no early redemptions, and resulting estimated debt service coverage.

Table 2
Poway Unified School District
Community Facilities District No. 10 (Torrey Highlands – Subarea IV)
Improvement Area F

Debt Service Coverage from Improvement Area F Net Special Tax Revenues

Year Ending September 1	Net Special Tax Revenues [1]	2016 Special Tax Refunding Bonds Debt Service	Estimated Debt Service Coverage
2017	$124,170.19	$99,379.26	124.95%
2018	126,653.59	101,081.26	125.30
2019	129,186.67	100,381.26	128.70
2020	131,770.40	104,681.26	125.88
2021	134,405.81	103,881.26	129.38
2022	137,093.92	108,081.26	126.84
2023	139,835.80	112,181.26	124.65
2024	142,632.52	111,181.26	128.29
2025	145,485.17	115,056.26	126.45
2026	148,394.87	118,681.26	125.04
2027	151,362.77	122,106.26	123.96
2028	154,390.02	120,156.26	128.49
2029	157,477.82	123,206.26	127.82
2030	160,627.38	131,018.76	122.60
2031	163,839.93	128,418.76	127.58
2032	167,116.73	130,718.76	127.84
2033	170,459.06	137,743.76	123.75
2034	173,868.24	134,300.00	129.46
2035	177,345.61	140,737.50	126.01
2036	180,892.52	141,800.00	127.57
2037	184,510.37	147,400.00	125.18
2038	188,200.58	147,600.00	127.51
2039	191,964.59	157,600.00	121.80
2040	195,803.88	157,000.00	124.72
2041	199,719.96	161,200.00	123.90
Total	$3,977,208.40	$3,155,591.92	

[1] Total Improvement Area F Special Taxes levied less Administrative Expenses (escalating at 2% annually) as provided by the Cooperative Strategies, LLC.

Sources: Cooperative Strategies, LLC and the Underwriter.

Redemption

Optional Redemption. The 2016 Bonds are subject to redemption on any Interest Payment Date, prior to maturity, in whole or in part, from such maturities as are selected by the Community Facilities District, and by lot within a maturity, at the option of the Community Facilities District from any source of funds deposited into the Redemption Account, and not otherwise allocated. Such optional redemption shall be at the following redemption prices (expressed as percentages of the principal amount of the 2016 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
September 1, 2017 through and including March 1, 2024	103%
September 1, 2024 and March 1, 2025	102
September 1, 2025 and March 1, 2026	101
September 1, 2026 and any Interest Payment Date thereafter	100

Whenever provision is made for the optional redemption of less than all of the 2016 Bonds, the Fiscal Agent shall select the 2016 Bonds to be redeemed, among maturities as directed in writing by an Authorized Representative, who shall specify the 2016 Bonds to be redeemed so as to maintain, as much as practicable, the same debt service profile for the Outstanding Bonds following such redemption as was in effect prior to such redemption. The Fiscal Agent shall select 2016 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

S*pecial Mandatory Redemption – Redemption from Proceeds of Improvement Area F Special Tax Prepayment*. The 2016 Bonds are subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part on a pro rata basis among maturities and by lot within a maturity from prepayments. An Authorized Representative shall deliver written instructions to the Fiscal Agent not less than 60 days prior to the redemption date directing the Fiscal Agent to utilize the prepayments of Improvement Area F Special Tax Revenues transferred to the Redemption Fund pursuant to the Indenture to redeem the 2016 Bonds. Such special mandatory redemption of the 2016 Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the 2016 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
September 1, 2017 through and including March 1, 2024	103%
September 1, 2024 and March 1, 2025	102
September 1, 2025 and March 1, 2026	101
September 1, 2026 and any Interest Payment Date thereafter	100

Whenever provision is made for the special mandatory redemption of less than all of the 2016 Bonds, the Fiscal Agent shall select the 2016 Bonds to be redeemed, pro rata among maturities as directed in writing by an Authorized Representative. The Fiscal Agent shall select 2016 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

Mandatory Sinking Fund Redemption. The 2016 Bonds maturing on September 1, 2037 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 2016 Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

Bonds Maturing on September 1, 2037

Sinking Fund Redemption Date (September 1)	Principal Amount
2036	$110,000
2037 (maturity)	120,000

The 2016 Bonds maturing on September 1, 2041 are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2038, at a redemption price equal to the principal amount of the 2016 Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

Bonds Maturing on September 1, 2041

Sinking Fund Redemption Date (September 1)	Principal Amount
2038	$125,000
2039	140,000
2040	145,000
2041 (final maturity)	155,000

The amounts in the foregoing table shall be reduced as a result of any prior partial redemption of the 2016 Bonds pursuant to an optional redemption or redemption from proceeds of Improvement Area F Special Tax prepayments as specified in writing by the Community Facilities District to the Fiscal Agent.

Purchase In Lieu of Redemption. In lieu of an optional, extraordinary mandatory or mandatory sinking fund redemption, the Community Facilities District may elect to purchase such 2016 Bonds at public or private sale at such prices as the Community Facilities District may in its discretion determine; *provided*, that, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof plus accrued interest accrued to the purchase date and any premium which would otherwise be due if such 2016 Bonds were to be redeemed in accordance with the provisions of the Indenture.

Notice of Redemption. The Fiscal Agent shall mail, at least thirty (30) days but not more than sixty (60) days prior to the date of redemption, notice of intended redemption, in accordance with the applicable Depository rules to the respective Registered Owners of the 2016 Bonds appearing on the 2016 Bond register books (the "Bond Register"). The notice of redemption notice shall (a) state the redemption date; (b) state the redemption price; (c) state the bond registration numbers, dates of maturity and CUSIP® numbers of the 2016 Bonds to be redeemed, and in the case of the 2016 Bonds to be redeemed in part, the respective principal portions to be redeemed; *provided, however*, that whenever any call includes all 2016 Bonds of a maturity, the numbers of the 2016 Bonds of such maturity need not be stated; (d) state that such 2016 Bonds must be surrendered at the principal corporate trust office of the Fiscal Agent; (e) state that further interest on the 2016 Bonds will not accrue from and after the designated redemption date; (f) state the date of the issue of the 2016 Bonds as originally issued; (g) state the rate of interest borne by each 2016 Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the 2016 Bonds being redeemed as the Community Facilities District shall direct.

So long as notice by first-class mail has been provided as set forth in the Indenture, the actual receipt by the Owner of any 2016 Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for redemption of such 2016 Bonds or the cessation of interest on the date fixed for redemption.

Conditional Notice of Optional Redemption. Any notice of optional redemption of the 2016 Bonds delivered in accordance with the 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 Community Facilities District shall not be required to redeem such 2016 Bonds and the redemption shall not be made and the Fiscal Agent 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 Community Facilities District 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 2016 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 Bond Service Fund 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 2016 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 Redemption. When notice of redemption has been given substantially as provided for in the Indenture, and when the amount necessary for the redemption of the 2016 Bonds called for redemption has been set aside for that purpose in the Redemption Fund, the 2016 Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said 2016 Bonds at the place specified in the notice of redemption, said 2016 Bonds shall be redeemed and paid at the redemption price out of the applicable Redemption Fund and no interest will accrue on such 2016 Bonds or portions of 2016 Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such 2016 Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such 2016 Bonds or portions of 2016 Bonds only to said Redemption Fund.

Registration, Transfer and Exchange

Registration. The Fiscal Agent will keep sufficient books for the registration and transfer of the 2016 Bonds, and upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said register, the 2016 Bonds as hereinbefore provided. The Community Facilities District and the Fiscal Agent will treat the owner of any Bond whose name appears on the Bond Register as the holder and absolute Owner of such 2016 Bond for all purposes under the Indenture.

Transfers of 2016 Bonds. The transfer of any 2016 Bond may be registered only upon such books of registration upon surrender thereof to the Fiscal Agent, together with an assignment duly executed by the Owner or his attorney or legal representative, in satisfactory form. Upon any such registration of transfer, a new 2016 Bond or Bonds shall be authenticated and delivered in exchange for such 2016 Bond, in the name of the transferee, of any denomination or denominations authorized by the Indenture, and in an aggregate principal amount equal to the principal amount of such 2016 Bond or Bonds so surrendered. The Fiscal Agent may make a charge for every such exchange or registration of transfer of 2016 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Fiscal Agent shall not be required to register transfers or make exchanges of (i) 2016 Bonds for a period of 15 days next preceding the date of any selection of the 2016 Bonds for redemption, or (ii) any 2016 Bonds chosen for redemption.

Exchange of 2016 Bonds. 2016 Bonds may be exchanged at the Principal Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount of 2016 Bonds of authorized denominations, interest rate and maturity, subject to the terms and conditions of the Indenture, including the payment of certain charges, if any, upon surrender and cancellation of a 2016 Bond.

Book-Entry and DTC

DTC will act as securities depository for the 2016 Bonds. The 2016 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 2016 Bond certificate will be issued for each maturity of the 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F – "Book-Entry System."

SECURITY FOR THE 2016 BONDS

General

The 2016 Bonds and all Parity Bonds (as defined below) are secured by a first pledge of all of the Improvement Area F Net Special Tax Revenues and all moneys deposited in the Bond Service Fund and in the Reserve Fund. Pursuant to the Act, the Indenture and the Improvement Area F Rate and Method, the Community Facilities District will annually levy the Improvement Area F Special Taxes in an amount required for the payment of principal of, and interest on, any outstanding 2016 Bonds becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund, as well as Administrative Expenses during such year. The Improvement Area F Net Special Tax Revenues and all moneys deposited into the applicable accounts (until disbursed as provided in the Indenture) are pledged to the payment of the principal of, and interest and any premium on, the 2016 Bonds as provided in the Indenture and in the Act until all of the 2016 Bonds have been paid and retired or until moneys or non-callable federal securities as described in paragraph 1 of the definition of Permitted Investments have been set aside irrevocably for that purpose.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund, and the Rebate Fund are not pledged to the repayment of the 2016 Bonds. The City Facilities constructed and acquired with the proceeds of the Prior Special Tax Bonds are not in any way pledged to pay the debt service on the 2016 Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the Prior Special Tax Bonds are not pledged to pay the debt service on the 2016 Bonds.

Improvement Area F Special Taxes

The Community Facilities District has covenanted in the Indenture to comply with all requirements of the Act so as to assure the timely collection of Improvement Area F Special Taxes, including without limitation, the enforcement of delinquent Improvement Area F Special Taxes. The Improvement Area F Rate and Method provides that the Improvement Area F Special Taxes are payable and will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, *provided, however*, that the Community Facilities District may collect Improvement Area F Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

Because the Improvement Area F Special Tax levy is limited to the maximum Improvement Area F Special Tax rates set forth in the Improvement Area F Rate and Method, no assurance can be given that, in the event of Improvement Area F Special Tax delinquencies, the receipt of Improvement Area F Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the 2016 Bonds. The Improvement Area F Special Taxes levied pursuant to the Improvement Area F Rate and Method are not available to pay principal of or interest on any bonds issued with respect to Improvement Area A or Improvement Area B or with respect to the Community Facilities District. The Community Facilities District Special Taxes levied pursuant to the Community Facilities District Rate and Method are not available to pay principal of or interest on the 2016 Bonds.

Although the Improvement Area F Special Taxes, when levied, will constitute a lien on parcels subject to taxation, it does not constitute a personal indebtedness of the owners of property. There is no assurance that the owners of real property will be financially able to pay the annual Improvement Area F Special Tax or that they will pay such tax even if financially able to do so. See "BONDOWNERS' RISKS" herein.

THE 2016 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2016 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE 2016 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN) OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2016 BONDS. OTHER THAN THE IMPROVEMENT AREA F SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA F RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2016 BONDS. THE 2016 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE IMPROVEMENT AREA F SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA F RATE AND METHOD, AS MORE FULLY DESCRIBED HEREIN.

Rates and Methods

General. In 1997, pursuant to the request of landowners, the School District established Community Facilities District No. 2 (Torrey Highlands – Subarea IV) ("CFD No. 2") with respect to approximately 1,134 acres of land within the boundaries of the School District proposed for development of approximately 2,600 units (approximately 2,122 detached single-family units and approximately 478 multi-family attached units). In the first quarter of 2001, the then owners of the property within the Community Facilities District requested that the School District institute proceedings pursuant to the Act (a) to create a new community facilities district, (b) to designate improvement areas within such community facilities district, (c) to authorize the community facilities district to issue bonded indebtedness and to levy special taxes to fund, in addition to those School Facilities authorized to be funded pursuant to the community facilities district, certain City public improvements and (d) upon establishment of the community facilities district, to record a notice of cancellation of special taxes of CFD No. 2 with respect to all land within the community facilities district.

The then owners of the property within the Community Facilities District participated in the proceedings for formation of the Community Facilities District. Pursuant to such proceedings, a special tax may be levied and collected within all of the Community Facilities District to finance School Facilities according to the CFD No. 10 Rate and Method, a copy of which is set forth in APPENDIX B – "First Amended Rate and Method of Apportionment for Improvement Area F of Community Facilities District No. 10 of the Poway Unified School District and Rate and Method of Apportionment for Community Facilities District No. 10 of the Poway Unified School District."

The qualified electors of Improvement Area F approved the initial Rate and Method of Apportionment of Special Tax on August 27, 2001, and the First Amended Improvement Area F Rate and Method on April 19, 2010. Capitalized terms used in the following paragraphs but not defined herein have the meanings given them in the CFD No. 10 Rate and Method and the Improvement Area F Rate and Method, as applicable.

Improvement Area F Rate and Method. The Improvement Area F Rate and Method provides the means by which the Board of Education may annually levy the Special Taxes within Improvement Area F of the Community Facilities District up to the maximum Special Tax to pay for City Facilities and to levy the Supplemental Annual Special Tax within Improvement Area F to pay for School Facilities. The 2016 Bonds, when issued, will refund the Prior Special Tax Bonds and will be secured by Special Taxes levied pursuant to the Improvement Area F Rate and Method. The Improvement Area F Rate and Method provides that the Special Taxes shall be levied for a term of 34 Fiscal Years after the issuance of bonds, but in no event later than Fiscal Year 2050-51. A copy of the Improvement Area F Rate and Method is included in Appendix B hereto.

Annual Improvement Area F Special Tax Requirement. Annually, at the time of levying the Assigned Annual Special Tax for Improvement Area F, the Board of Education will determine the amount of money to be collected from Taxable Property in Improvement Area F (the "Annual Special Tax Requirement"), which will be the amount required in any Fiscal Year to pay the following:

(i) the debt service on all Bonds issued to finance City Facilities (i.e., the 2016 Bonds which refunded the Prior Special Tax Bonds or any refunding bonds), or other indebtedness or other periodic cost on the Bonds;

(ii) the Administrative Expenses of Improvement Area F,

(iii) any costs associated with the release of funds from an escrow account, if any,

(iv) any amount required to establish or replenish any reserve funds established in association with the Bonds issued to finance City Facilities, *less*

(v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to the Indenture.

In arriving at the Annual Improvement Area F Special Tax Requirement, the Board may take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous fiscal year.

Developed and Undeveloped Property; Exempt Property. The Improvement Area F Rate and Method declares that for each Fiscal Year, all Assessor's Parcels within Improvement Area F shall be classified as Taxable Developed Property, Taxable Undeveloped Property or Exempt Property and shall be subject to Special Taxes in accordance with the Improvement Area F Rate and Method.

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

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

"Taxable Property" means all Assessor's Parcels which are not Exempt Property (as defined below) pursuant to law or the Improvement Area F Rate and Method.

"Exempt Property" is defined to include the following:

(a) parcels owned by the State, federal or other local governments;

(b) parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization,

(c) parcels used exclusively by a homeowner's association, parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction,

(d) parcels for which building permits were issued on or before May 1 of the prior Fiscal Year for the construction of Affordable Units and/or Senior Citizen Units exclusively, and

(e) other types of Assessor's Parcels, at the reasonable discretion of the Board of Education, provided that no such classification would reduce the acreage of all Taxable Property to less than 6.87 acres of Acreage (as defined in the Improvement Area F Rate and Method).

Property for which a building permit is issued for commercial use or for Affordable Units and/or Senior Citizen Units exclusively is not subject to the Special Tax. The owners of property expected to be developed for such uses are expected to request that the Community Facilities District record a notice of cancellation of the Special Tax for Improvement Area F for such property. The minimum taxable acreage referenced in (e) above will remain subject to the Special Tax. No Affordable Units or Senior Citizen Units have been constructed within Improvement Area F and there is no commercial property within Improvement Area F.

Supplemental Annual Special Tax. In addition to the Improvement Area F Special Tax, the Community Facilities District shall levy each year a Supplemental Annual Special Tax, the proceeds of which will be used to pay for the acquisition, construction, rehabilitation and improvement of School Facilities. *The 2016 Bonds are not secured by or payable from the Supplemental Annual Special Tax levied pursuant to the Improvement Area F Rate and Method*.

Maximum Special Tax. The Maximum Special Tax is defined in the Improvement Area F Rate and Method as follows:

Undeveloped Property: The amount determined by the application of the Assigned Annual Special Tax. The Assigned Annual Special Tax for Taxable Undeveloped Property for Fiscal Year 2016-17 is $20,684.80 per acre. On each July 1, the Assigned Annual Special Tax per acre shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

Developed Property: The sum of (a) the *greater* of (i) the Assigned Annual Special Tax and (ii) the Backup Annual Special Tax and (b) the Supplemental Annual Special Tax.

The Assigned Annual Special Tax for Taxable Developed Property (whether detached or attached) in Fiscal Year 2016-17 ranges from $1,713.68 to $2,212.40 per unit. Each July 1, the Assigned Annual Special Tax is subject to escalation of 2.00% of the amount in effect in the prior Fiscal Year. See APPENDIX B – "Amended Rate and Method of Apportionment for Improvement Area F of Community Facilities District No. 10 of the Poway Unified School District – Table 1" herein for a listing of the Assigned Annual Special Tax rates for various sizes of Units.

The "Backup Annual Special Tax" is based on the number of Lots created by each Final Map within Improvement Area F, currently 73 (see "COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV)"). The Backup Annual Special Tax for an Assessor's Parcel of Developed Property in Fiscal Year 2016-17 is estimated to be $2,163.12.

The Supplemental Annual Special Tax for Taxable Developed Property (whether detached or attached) in Fiscal Year 2016-17 ranges from $743.51 to $968.28 per unit. Each July 1, the Supplemental Annual Special Tax is subject to escalation. Prior to classification as Developed Property, the Supplemental Annual Special Tax increases by the "Inflator" as defined in the Improvement Area F Rate and Method. Commencing the July 1 immediately following the Fiscal Year in which an Assessor's Parcel was first classified as Developed Property, the Supplemental Annual Special Tax for each Assessor's Parcel of Developed Property increases by 2% of the amount in effect in the prior Fiscal Year. See APPENDIX B – "First Amended Rate and Method of Apportionment for Improvement Area F of Community Facilities District No. 10 of the Poway Unified School District – Table 2" herein for a listing of the Supplemental Annual Special Tax rates for various sizes of Units. *The 2016 Bonds are not secured by or payable from the Supplemental Annual Special Tax levied pursuant to the Improvement Area F Rate and Method.*

The minimum taxable acreage is 6.87 acres of Acreage.

Method of Apportionment. The Improvement Area F Rate and Method provides that commencing Fiscal Year 2010-11 and for each subsequent Fiscal Year, the Board of Education shall levy Annual Special Taxes within Improvement Area F as follows:

Step One: The Board of Education shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the sum of the (i) Assigned Annual Special Tax and (ii) Supplemental Annual Special Tax applicable to each such Assessor's Parcel.

Step Two: If the sum of the Assigned Annual Special Taxes levied on Assessor's Parcels in the first step above is less than the Annual Special Tax Requirement, then the Annual Special Tax shall be levied Proportionately on each Assessor's parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel to satisfy the Annual Special Tax Requirement[2].

Step Three: If the sum of the Assigned Annual Special Taxes levied on Assessor's Parcels in the first and second steps above is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax includes the application of the Backup Annual Special Tax shall be increased Proportionately from the Assigned Annual Special Tax up to the Backup Annual Special Tax to satisfy the Annual Special Tax Requirement[3].

Prepayment of Annual Special Taxes. The Improvement Area F Annual Special Tax obligation for an Assessor's Parcel of Developed Property or for 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. The Prepayment Amount for an applicable Assessor's Parcel after the issuance of Bonds is calculated based on Bond Redemption Amounts and other costs, all as specified in APPENDIX B – "First Amended Rate and Method of Apportionment for Improvement Area F of Community Facilities District No. 10 of the Poway Unified School District – Section H" herein.

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[2] As of May 1, 2016, all 73 building permits were issued so there is no Undeveloped Property subject to tax under Step 2.

[3] A levy of Special Taxes under Step 3 would only increase the Special Tax levy by $15,600.98.

Table 3 below summarizes Fiscal Year 2016-17 Improvement Area F Special Tax levy to be made in accordance with the Improvement Area F Rate and Method.

Table 3
Poway Unified School District
Community Facilities District No. 10 (Torrey Highlands – Subarea IV)
Improvement Area F

Fiscal Year 2016-17 Assigned Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	Fiscal Year 2016-17 Assigned Special Tax Rate	Units Levied	Special Taxes Levied	Fiscal Year 2016-17 Levy as Percent of Total
1	Detached	≤ 1,750	$1,713.68	12	$20,564.16	14.36%
2	Detached	1,751 - 1,900	1,856.08	22	40,833.76	28.52
3	Detached	1,901 - 2,050	1,998.70	21	41,972.70	29.31
4	Detached	2,051 - 2,200	2,105.42	0	0.00	0.00
5	Detached	> 2,200	2,212.40	18	39,823.20	27.81
Totals (1)				73	$143,193.82	100.00%

(1) Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

CFD No. 10 Rate and Method. The CFD No. 10 Rate and Method provides the means by which the Board of Education may annually levy the special taxes within the Community Facilities District up to the applicable maximum special tax to pay for School Facilities. *The 2016 Bonds are not secured by any special taxes levied pursuant to the CFD No. 10 Rate and Method.* The CFD No. 10 Rate and Method provides that the annual special tax shall be levied for a term of 31 Fiscal Years after the last series of bonds for School Facilities is issued, but in no event later than Fiscal Year 2045-46.

Zone 1 of Community Facilities District No. 10. The CFD No. 10 Rate and Method includes a Zone 1 one-time special tax levy on or before the date a building permit is issued for an Assessor's Parcel. All building permits in Zone 1 have been issued, and in addition, *Improvement Area F is funding School Facilities through the Supplemental Annual Special Tax in lieu of the One-Time Special Tax levy pursuant to Community Facilities District No. 10.*

In Fiscal Year 2016-17, Developed Property in Zone 1 is subject to an Assigned Annual Special Tax of $2,508.69 per Detached Unit and $1,033.96 per Attached Unit. A copy of the CFD No. 10 Rate and Method is included in Appendix B hereto. Bonds for School Facilities have been issued.

Proceeds of Foreclosure Sales

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Improvement Area F Special Tax, the Community Facilities 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 the Indenture, on or before June 1 of each Fiscal Year, the Community Facilities District will review the public records of the County of San Diego, California, to determine the amount of Improvement Area F Special Taxes actually collected in such Fiscal Year and proceed as follows:

Individual Delinquencies. If the Community Facilities District determines that (i) any single parcel subject to the Improvement Area F Special Tax is delinquent in the payment of the Improvement Area F Special Taxes in the aggregate amount of $6,000 or more or (ii) any single parcel or parcels under common ownership subject to the Improvement Area F Special Taxes are delinquent in the payment of the Improvement Area F Special Taxes in the aggregate of $12,000 or more, the Community Facilities District shall, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The Community Facilities District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than 90 days after such determination against any parcel for which a notice of delinquency was given and for which the Improvement Area F Special Taxes remain delinquent.

Aggregate Delinquencies. If the Community Facilities District determines that it has collected less than 95% of the Improvement Area F Special Taxes levied in such Fiscal Year, then the Community Facilities District shall, not later than 45 days after 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 Community Facilities District will cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than 90 days after such determination against any parcel for which a notice of delinquency was given and for which the Improvement Area F Special Taxes remain delinquent if the aggregate amount collected remains less than 95% of the Improvement Area F Special Taxes levied in such Fiscal Year.

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

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. See "BONDOWNERS' RISKS – Potential Delay and Limitations in Foreclosure Proceedings." If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the Community Facilities 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 the 2016 Bonds Outstanding.

No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Improvement Area F Special Tax installment. The Act does not require the School District or the Community Facilities District 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 Improvement Area F Special Tax will have the same lien priority in the case of delinquency as for *ad valorem* property taxes.

If the Reserve Fund is depleted and delinquencies in the payment of Improvement Area F Special Taxes exist, there could be a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the Community Facilities District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method and the Act, the Community Facilities District may adjust the Improvement Area F Special Taxes levied on all property in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the 2016 Bonds and to replenish the Reserve Fund. There is, however, no assurance that the maximum Improvement Area F Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the 2016 Bonds by the Indenture. The levy of Improvement Area F Special Taxes is subject to the maximum annual amount of Improvement Area F Special Taxes authorized by the qualified voters of Improvement Area F and the limitation imposed by Section 53321 of the Act as applied to Improvement Area F. See "SECURITY FOR THE 2016 BONDS – Rates and Methods – Improvement Area F Rate and Method – *Prepayment of Annual Special Taxes* – Table 3."

Improvement Area F Special Tax Fund

Pursuant to the Indenture, the Improvement Area F Special Tax Revenues received by the Community Facilities District will be deposited in the Improvement Area F Special Tax Fund, which will be held by the Fiscal Agent on behalf of the Community Facilities District. Improvement Area F Special Tax Revenues representing Prepayments shall be transferred to the Interest Account of the Bond Service Fund and the Redemption Fund, as applicable, and utilized to pay the interest and premium, if any, on and the principal of 2016 Bonds to be redeemed. Moneys in the Improvement Area F Special Tax Fund shall be held in trust by the Fiscal Agent for the benefit of the Community Facilities District and the owners of the 2016 Bonds. Pending disbursement, moneys in the Improvement Area F Special Tax Fund will be subject to a lien in favor of the Bondowners of the 2016 Bonds as established under the Indenture.

Disbursements. Moneys in the Improvement Area F Special Tax Fund will be disbursed as needed to pay the obligations of the Community Facilities District in the following priority: (i) an amount equal to the Administrative Expense Requirement to pay Administrative Expenses; (ii) amounts required to be deposited into the applicable Accounts in the Bond Service Fund in order to pay debt service on the 2016 Bonds and any Parity Bonds on the next Interest Payment Date; (iii) amounts required to replenish the Reserve Fund to the Reserve Requirement (as defined in the Indenture); (iv) amounts required to fund the Rebate Fund; and (v) additional amounts required to pay Administrative Expenses. If, on or after September 2 of each year, after making the deposits and transfers required under clauses (i) through (v) above, any moneys remain on deposit in the Improvement Area F Special Tax Fund, such moneys shall remain therein and be used for the purposes specified in clauses (i) through (v) above, *provided, however*, if at any time and from time to time, the Community Facilities District determines, that all or any portion of such moneys constitute the proceeds of Improvement Area F Special Taxes levied on Developed Property in excess of the Annual Special Tax Requirement (as defined in the Special Tax RMA)

("Surplus Special Taxes"), the Community Facilities District shall, by written instructions, direct the Fiscal Agent to transfer that amount constituting Surplus Special Taxes to Zions Bank, a division of ZB, National Association, as trustee (the "2012 Certificates of Participation Trustee") with respect to the Poway Unified School District Certificates of Participation (2012 School Facilities Restructuring Program) (the "2012 Certificates of Participation") executed and delivered pursuant to the Trust Agreement, by and among U.S. Bank National Association, the Authority and the School District, to be utilized to make Rental Payments pursuant to the Lease Agreement, dated as of September 1, 2012, by and between the School District and the Authority (the "2012 Lease Agreement") during the term thereof. From and after the termination of the 2012 Lease Agreement or the prepayment of the 2012 Certificates of Participation in full, the Community Facilities District shall, by written instructions, direct the Fiscal Agent to transfer that amount constituting Surplus Special Taxes to the Improvement Area F Custodial Account established under the Custodian Agreement, by and between the School District and State Street Bank and Trust Company of California, N.A., dated as of December 1, 2001, and administered by Zions Bank, a division of ZB, National Association, as successor Custodian.

Investment. Moneys in the Improvement Area F Special Tax Fund will be invested and deposited by the Community Facilities District as described in "Investment of Moneys in Funds" below. Interest earnings and profits resulting from such investment and deposit will be retained in the Improvement Area F Special Tax Fund to be used for the purposes thereof.

Bond Service Fund

The Fiscal Agent will hold the Bond Service Fund in trust for the benefit of the Bondowners. Within the Bond Service Fund, the Fiscal Agent will create and hold an Interest Account and a Principal Account.

On each Interest Payment Date, the Fiscal Agent will withdraw from the Bond Service Fund and pay to the owners of the 2016 Bonds the principal of and interest then due and payable on the 2016 Bonds, including any amounts due on the 2016 Bonds by reason of the sinking payments or a redemption of the 2016 Bonds.

If amounts in the Bond Service Fund are insufficient for the purposes set forth in the preceding paragraph, the Fiscal Agent will withdraw the deficiency from the Reserve Fund to the extent of any funds therein.

Redemption Fund

Moneys in the Redemption Fund shall be set aside and used solely for the purpose of redeeming Bonds in accordance with the Indenture.

Reserve Fund

In order to further secure the payment of principal of and interest on the 2016 Bonds, certain proceeds of the 2016 Bonds will be deposited into the Reserve Fund in an amount equal to the Reserve Requirement (see "ESTIMATED SOURCES AND USES OF FUNDS" herein). The Reserve Requirement is defined in the Indenture to mean, as of any date of calculation, an amount equal to the least of (i) the then maximum annual debt service on the 2016 Bonds, (ii) 125% of the then average annual debt service on the 2016 Bonds or (iii) 10% of the original issue price of the 2016 Bonds, calculated in accordance with Treasury Regulations Section 1.148-2(f)(1). Initially, the Reserve Requirement is equal to $159,462.81.

Moneys in the Reserve Fund shall be used for the purpose of (i) making transfers to the Bond Service Fund and the Redemption Fund to pay the principal of, including mandatory sinking payments, and interest on the 2016 Bonds when due, in the event that moneys in the Bond Service Fund are insufficient therefor, or (ii) defeasance of the 2016 Bonds. In connection with any optional redemption or a special mandatory redemption or a defeasance of the 2016 Bonds in part, amounts on deposit in the Reserve Fund which would be in excess of the Reserve Requirement following such redemption or partial defeasance shall be transferred to the Redemption Fund or to the Interest Account of the Bond Service Fund, as applicable, prior to such redemption and applied to such redemption of 2016 Bonds.

If Improvement Area F Special Taxes are prepaid and a portion of 2016 Bonds are to be redeemed with the proceeds of such prepayment, a portion of the Reserve Fund equal to the lesser of (i) the reduction in the Reserve Requirement resulting from the redemption of 2016 Bonds or (ii) 10% of the amount of 2016 Bonds which will be redeemed will be applied to the redemption of such 2016 Bonds.

Moneys in the Reserve Fund will be invested and deposited as described in "Investment of Moneys in Funds" below.

See APPENDIX C – "Summary of Certain Provisions of the Indenture" for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

Administrative Expense Fund

The Fiscal Agent will receive the transfer of Improvement Area F Special Taxes from the Community Facilities District from the Improvement Area F Special Tax Fund and deposit in the Administrative Expense Fund an amount to pay Administrative Expenses.

Pursuant to the Indenture, moneys in the Administrative Expense Fund will not be construed as a trust fund held for the benefit of the Owners of the 2016 Bonds and will not be available for the payment of debt service on the 2016 Bonds.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Indenture and held by the Fiscal Agent will be invested by the Fiscal Agent in Permitted Investments, as directed by the Community Facilities District, that mature prior to the date on which such moneys are required to be paid out under the Indenture. In the absence of any direction from the Community Facilities District, the Fiscal Agent will invest, to the extent reasonably practicable, any such moneys in money market funds rated "AAm-1" by Moody's or "AAm-G" by S&P, or better (including those of the Fiscal Agent or its affiliates). See APPENDIX C – "Summary of Certain Provisions of the Indenture" for a definition of "Permitted Investments."

Payment of Rebate Obligation

The Community Facilities District is required to calculate excess investment earnings in accordance with the requirements set forth in the Indenture. If necessary, the Community Facilities District may use amounts in the Improvement Area F Special Tax Fund, or amounts on deposit in the Administrative Expense Fund and other funds available to the Community Facilities District (except amounts required to pay debt service on the 2016 Bonds) to satisfy rebate obligations.

Parity Bonds for Refunding Purposes Only

Bonds issued on a parity with the 2016 Bonds ("Parity Bonds") may be issued for refunding purposes only and subject to specific conditions including that the Community Facilities District must be in compliance with all covenants set forth in the Indenture and any Supplement then in effect and a certificate of the Community Facilities District to that effect will be filed with the Fiscal Agent. See APPENDIX C – "Summary of Certain Provisions of the Indenture."

Improvement Area F Special Taxes Are Not Within Teeter Plan

The County has adopted a Teeter Plan as provided for in Section 4701 *et seq*. of the California Revenue and Taxation Code, 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 assessments, reassessments and special taxes in its Teeter program. The Improvement Area F Special Taxes are not included in the County's Teeter Program.

COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV) IMPROVEMENT AREA F

General Information

The Community Facilities District is located in the City of San Diego approximately 23 miles north of downtown San Diego and approximately four miles inland from the Pacific Ocean and the coastal cities of Encinitas and Solana Beach. The Community Facilities District is comprised of approximately 470 gross acres of rolling terrain with slopes and knolls and approximately 142.62 net acres of residential property (excluding affordable and seniors housing).

The Community Facilities District is within Planned Urbanizing Area, Torrey Highlands Subarea IV of the City of San Diego. Torrey Highlands Subarea IV is bordered on the south by Carmel Mountain Road and Deer Canyon (Del Mar Mesa Subarea V), to the east by Rancho Peñasquitos, to the west by Pacific Highlands Ranch (Subarea III) and to the north by Black Mountain Ranch (Subarea I), including the portion thereof now known as Santaluz. The Community Facilities District is located approximately four miles east of Interstate 5 and approximately three miles west of Interstate 15. Route 56 extends from Interstate 5 to Interstate 15. The area is bounded on the east by completed Rancho Peñasquitos subdivisions and on the north, south and west by undeveloped property.

Utility services for parcels in the Community Facilities District are generally provided by the City of San Diego or Waste Management Inc. (refuse), San Diego Gas & Electric (gas and electricity), the City of San Diego (water, sewage, stormwater drainage and refuse), Time Warner (cable), and AT&T (telephone).

The Community Facilities District is between the cities of Del Mar to the west and Poway to the east, and also between the communities of Carmel Valley to the west and Rancho Peñasquitos to the east. Nearby to the south is the community of Mira Mesa and nearby to the northeast is Black Mountain Ranch (including the portion thereof now known as Santaluz).

Authority for Issuance

The 2016 Bonds are issued pursuant to the Act and the Indenture. In addition, as required by the Act, the Board of Education of the School District has taken the following actions with respect to establishing the Community Facilities District, Improvement Area F and authorizing issuance of the 2016 Bonds:

Resolutions of Intention: On April 16, 2001, the Board of Education adopted Resolution No. 42-2001 stating its intention to establish the Community Facilities District and to authorize the levy of a special tax therein pursuant to the CFD No. 10 Rate and Method and the initial Rate and Method of Apportionment of Special Tax for Improvement Area F. On the same day the Board of Education adopted Resolution No. 43-2001 stating its intention to incur bonded indebtedness in an amount not to exceed $45,000,000 with respect to the Community Facilities District and $3,500,000 with respect to Improvement Area F. In subsequent proceedings, on March 8, 2010, proceedings to amend and restate the initial Rate and Method of Apportionment of Special Tax for Improvement Area F pursuant to the Improvement Area F Rate and Method to provide for the levy of the Supplemental Annual Special Tax, to modify the facilities authorized to be financed and to modify the amount of authorized bonded indebtedness were undertaken. Community Facilities District No. 10 will finance School Facilities. Improvement Area F will finance City Facilities through the Special Tax and School Facilities through the Supplemental Annual Special Tax and any Surplus Improvement Area F Special Taxes as provided in the Indenture. See "THE FINANCING PLAN" herein.

Resolution of Formation: Immediately following a noticed public hearing on August 27, 2001, the Board of Education adopted Resolution No. 08-2002 (the "Resolution of Formation"), which established the Community Facilities District and designated each of the Improvement Areas therein, established each Rate and Method, and authorized the levy of a special tax within the Community Facilities District and within each Improvement Area pursuant to each Rate and Method of Apportionment.

Resolution of Necessity: On August 27, 2001, the Board of Education adopted Resolution No. 09-2002 declaring the necessity to incur bonded indebtedness in an amount not to exceed $45,000,000 and with respect to the Community Facilities District, $3,500,000 with respect to Improvement Area F and submitting the proposition to the qualified electors of the Community Facilities District.

Landowner Election and Declaration of Results: On August 27, 2001, elections were held within the Community Facilities District, including within Improvement Area F, in which the landowners eligible to vote, being the qualified electors within Improvement Area F, each approved the applicable ballot propositions authorizing the issuance of up to $45,000,000 in bonds to finance the acquisition and construction of the School Facilities, and the landowners within Improvement Area F approved a ballot proposition authorizing the issuance of up to $3,500,000 of bonds for Improvement Area F to finance the acquisition and construction of City Facilities. The qualified electors within the Community Facilities District and Improvement Area F also approved the levy of a special tax in accordance with the initial Rate and Method of Apportionment of Special Tax for Improvement Area F and the establishment of an appropriations limit for the Community Facilities District.

On August 27, 2001, the Board of Education adopted Resolution No. 10-2002 pursuant to which the Board of Education approved the canvass of the votes.

Special Tax Lien and Levy: Notices of Special Tax Lien, including one for the Community Facilities District and one for Improvement Area F, were recorded in the real property records of San Diego County on September 21, 2001.

Ordinance Levying Special Taxes: On September 24, 2001, the Board of Education adopted an Ordinance No. 2002-01 levying the Special Tax within the Community Facilities District.

Resolution of Intention: On March 8, 2010, the Board of Education adopted Resolution No. 38-2010 stating its intention to amend the Rate and Method in Improvement Area F pursuant to the Improvement Area F Rate and Method to authorize the Supplemental Annual Special Tax to pay for School Facilities.

Resolution of Consideration: Immediately following a noticed public hearing on April 19, 2010, the Board of Education adopted Resolution No. 49-2010 (the "Resolution of Consideration"), which authorized the levy of a special tax pursuant to the Improvement Area F Rate and Method, changes to the authorized school facilities and an increase in the then existing bond authorization from $3,500,000 to $6,000,000 with $3,500,000 of authorization relating to the Improvement Area F Special Taxes and $2,500,000 of authorization relating to the Supplemental Annual Special Tax.

Landowner Election and Declaration of Results: On April 19, 2010, elections were held within Improvement Area F of the Community Facilities District in which the landowners eligible to vote, being the qualified electors within Improvement Area F, approved a ballot proposition authorizing the above described matters.

On April 19, 2010, the Board of Education adopted Resolution No. 50-2010 pursuant to which the Board of Education approved the canvass of the votes.

Special Tax Lien and Levy: An Amendment to Notice of Special Tax Lien for the Improvement Area F Rate and Method was recorded in the real property records of the San Diego County on April 29, 2010.

Ordinance Levying Special Taxes: On May 17, 2010, the Board of Education adopted Ordinance No. 2010-02 amending Ordinance No. 2002-01 and authorizing the levy of the Special Tax in Improvement Area F.

Resolution Authorizing Issuance of the 2016 Bonds: On October 18, 2016, the Board of Education adopted Resolution No. 18-2017, approving issuance of the 2016 Bonds.

Improvement Area F Special Tax Collections

The Improvement Area F Special Tax on Developed Property authorized for the 2015-16 Fiscal Year was $140,385.78, which was levied against 73 parcels.

Table 4 below sets forth the Improvement Area F Special Tax collections and delinquencies for Fiscal Years 2010-11 through 2015-16, all of which was levied on Developed Property.

Table 4
Poway Unified School District
Community Facilities District No. 10 (Torrey Highlands – Subarea IV)
Improvement Area F

Improvement Area F Special Tax Collections and Delinquencies (1)

	Subject Fiscal Year						June 30, 2016		
Fiscal Year Ending June 30	Aggregate Imp. Area F Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinq.	Fiscal Year Amount Delinq.	Fiscal Year Delinq. Rate	Remaining Parcels Delinq.	Remaining Amount Delinq.	Remaining Delinq. Rate
2011	$61,994.86	$61,994.86	25	0	$0.00	0.00%	0	$0.00	0.00%
2012	123,423.82	123,423.82	49	0	0.00	0.00	0	0.00	0.00
2013	132,288.72	132,288.72	73	0	0.00	0.00	0	0.00	0.00
2014	134,934.38	134,934.38	73	0	0.00	0.00	0	0.00	0.00
2015	137,633.00	136,741.00	73	0	0.00	0.00	0	0.00	0.00
2016	140,385.78	140,385.78	73	0	0.00	0.00	0	0.00	0.00

(1) Delinquency information is provided to the School District by the County of San Diego as of June 30 of the applicable Fiscal Year.

Source: Cooperative Strategies, LLC.

Value-to-Lien Ratios

Based on the County's Fiscal Year 2016-17 assessor's roll, the aggregate assessed value of taxable property within Improvement Area F of the Community Facilities District was $44,974,685.00. The Fiscal Year 2016-17 Improvement Area F Special Tax levy billed to the properties within Improvement Area F of the Community Facilities District which were entered on the Assessment Roll of the County equaled $143,193.82. Set forth in Table 3 above in "SECURITY FOR THE 2016 BONDS – Rates and Methods" is a summary of the Fiscal Year 2016-17 Special Tax levy by tax classes. Table 5 below summarizes the assessed value-to-lien ratios within Improvement Area F of the Community Facilities District by value-to-lien category.

Table 5
Poway Unified School District
Community Facilities District No. 10 (Torrey Highlands – Subarea IV)
Improvement Area F

Combined Assessed Value and Value-to-Burden Ratio

Value-to-Lien Category	Number of Parcels [(1)]	Principal Amount of 2016 Bonds	Other Overlapping Land Secured Debt [(2)]	Assessed Value [(3)]	Combined Value-to-Lien Burden Ratio [(4)]	Fiscal Year 2016-17 Special Tax	Percentage Share of Special Tax
10:1 and above	29	$803,550.18	$1,038,267.76	$19,422,923.00	10.55:1	$57,675.90	40.28%
7:1 to 10:1	44	1,191,449.82	1,588,141.24	25,551,762.00	9.19:1	85,517.92	59.72
5:1 to 7:1	0	0.00	0.00	0.00	NA	0.00	0.00
3:1 to 5:1	0	0.00	0.00	0.00	NA	0.00	0.00
3:1 and below	0	0.00	0.00	0.00	NA	0.00	0.00
Total [(5)]	**73**	**$1,995,000.00**	**$2,626,409.00**	**$44,974,685.00**	**9.73:1**	**$143,193.82**	**100.00%**

(1) The Improvement Area F Special Taxes shown reflect the projected Improvement Area F Special Taxes of Developed Property based on information provided by the County of San Diego.
(2) See " – Direct and Overlapping Debt" for a description of overlapping lien. Debt has been allocated based on the proportionate share of Fiscal Year 2015-16 assessments.
(3) Source: San Diego County Fiscal Year 2016-17 Tax Roll.
(4) Average value-to-lien per lot; actual value-to-lien may vary by lot.
(5) Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

Direct and Overlapping Debt

Table 6 below sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied within Improvement Area F, prepared by National Tax Data, Inc., and prepared on or about September 22, 2016 (the “Debt Report”). The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on Fiscal Year 2015-16 assessed values, which will change significantly as sales occur and assessed values increase to reflect housing values. The Community Facilities District believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the City of San Diego or the County, may issue additional indebtedness at any time, without the consent or approval of the School District or the Community Facilities District. See “ – Overlapping Direct Assessments” below.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area F in whole or in part. Such long term obligations generally are not payable from property taxes, assessment or special taxes on land in Improvement Area F. 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 Community Facilities District, the School District, the County or other public agencies at any time.

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

Table 6
Poway Unified School District
Community Facilities District No. 10 (Torrey Highlands – Subarea IV)
Improvement Area F

Detailed Direct and Overlapping Debt
as of September 22, 2016

I. Assessed Value

2015-16 Secured Roll Assessed Value	**$43,922,153**

II. Secured Property Taxes

Description on Tax Bill	**Type**	**Total Parcels**	**Total Levy**	**% Applicable**	**Parcels**	**Levy**
Basic 1% Levy	PROP13	967,476	$4,245,040,978.06	0.01026%	73	$435,651.53
Voter Approved Debt	AVALL	967,397	509,630,033.30	0.00224	73	11,409.01
City of San Diego Torrey Highlands Maintenance District	LMD	1,883	475,258.16	2.36607	73	11,244.92
County of San Diego Vector Control, Zone A	VECTOR	535,748	1,505,352.90	0.01455	73	219.00
County of San Diego Vector Disease Control	VECTOR	953,263	4,544,409.48	0.00803	73	365.00
Metropolitan Water District of Southern California Standby Charge	STANDBY	359,122	4,388,421.84	0.01913	73	839.50
Poway Unified School District CFD No. 10	CFD	1,284	2,740,959.92	7.72337	73	211,694.48
Poway Unified School District CFD No. 10, Impv Area F	CFD	73	140,385.78	100.00000	73	140,385.78
Poway Unified School District CFD No. 10, Impv Area F (Supplemental) [(1)]	CFD	73	61,301.46	100.00000	73	61,301.46
San Diego County Water Authority Standby Charge	STANDBY	365,544	3,840,656.94	0.01901	73	730.00
2015-16 TOTAL PROPERTY TAX LIABILITY						**$873,840.68**
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2015-16 ASSESSED VALUATION						**1.99%**

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	**Type**	**Issued**	**Outstanding**	**% Applicable**	**Parcels**	**Amount**
Poway Unified School District CFD No. 10	CFD	$38,230,000	$34,006,000	7.72337%	73	$2,626,409
Poway Unified School District CFD No. 10, Impv Area F	CFD	1,695,000	1,695,000	100.00000	73	1,695,000
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS [(2)]						**$2,626,409**

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	$92,865,000	0.00179%	73	$1,664
Palomar Community College District GOB 2006	GOB	554,998,901	504,710,855	0.04314	73	217,714
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS [(2)]						**$219,378**

[(1)] 2016 Bonds are not secured by or payable from the Supplemental Annual Special Tax levied pursuant to the Improvement Area F Rate and Method.
[(2)] Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

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Source: National Tax Data, Inc.

Abbreviation Key

CFD – Community Facilities District
GOB - General Obligation Bond
PROP13 – Proposition 13
STANDBY – Water Standby Charge
VECTOR – For protection of public health from vector related problems such as rats, flies, mosquitoes and fire ants.

Table 7 below sets forth Fiscal Year 2015-16 overall tax rates applicable to a Detached Unit. The table also set forth those entities with fees, charges, ad valorem taxes and special taxes regardless of whether those entities have issued debt.

Table 7
Poway Unified School District
Community Facilities District No. 10 (Torrey Highlands – Subarea IV)
Improvement Area F

Fiscal Year 2015-16 Tax Rates
(Single Family Detached Unit Containing 1,920 Building Square Feet)

Assessed Valuations and Property Taxes			
Assessed Value [1]	$607,844		
Homeowner's Exemption	(7,000)		
Net Assessed Value [2]	$600,844		
Ad Valorem Property Taxes		**Percent of Total AV**	**Amount**
General Purposes		1.00000%	$6,008.44
Ad Valorem Tax Overrides			
San Diego City Zoological Exhibits		0.00500%	$30.04
Palomar Community College Debt Service		0.01769%	124.88
Metropolitan Water District Debt Service		0.00350%	21.03
Total Ad Valorem Property Taxes		1.02619%	$6,184.39
Assessments, Special Taxes and Parcel Charges [3]			
City of San Diego Torrey Highlands Maintenance District			$154.04
County of San Diego Vector Control, Zone A			3.00
County of San Diego Vector Disease Control			5.00
Metropolitan Water District of Southern California Standby Charge			11.50
Poway Unified School District CFD No. 10			2,929.64
Poway Unified School District CFD No. 10, Impv Area F (Supplemental) [4]			871.86
Poway Unified School District CFD No. 10, Impv Area F			**1,959.50**
San Diego County Water Authority Standby Charge			10.00
Total Assessments, Special Taxes and Parcel Charges			$5,944.54
Total Property Taxes			$12,128.93
Effective Tax Rate			2.00%

(1) Fiscal Year 2015-16 assessed valuation from the San Diego County Assessor's Roll for a Single Family Detached unit containing 1,920 building square feet, selected to represent the median effective tax rate for a Single Family Detached unit within Improvement Area F.
(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.
(4) The 2016 Bonds are not secured by or payable from the Supplemental Annual Special Tax levied pursuant to the Improvement Area F Rate and Method.

Source: Cooperative Strategies, LLC.

Overlapping Direct Assessments

As indicated in the tables above, properties within the Community Facilities District are subject to a variety of standby charges, direct assessments, maintenance assessments, special assessments and service charges. Most of these charges are in amounts less than $500 per annum. Other than the Improvement Area F Special Taxes levied with respect to the 2016 Bonds, the Supplemental Annual Special Tax levied with respect to Improvement Area F and the Community Facilities District Special Taxes, the Community Facilities District is not aware that the properties within Improvement Area F are subject to sewer service charges or other special taxes in excess of $500 per year.

The Community Facilities District has 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 City of San Diego, the County or any other governmental agency having jurisdiction over all or a portion of the property within the Community Facilities District. Furthermore, nothing prevents the owners of property within the Community Facilities 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 Improvement Area F 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 Improvement Area F Special Taxes.

Accordingly, the debt on the property within the Community Facilities 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 2016 Bonds are issued between the value of the property and the debt secured by the Improvement Area F 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 the Community Facilities District to pay the Improvement Area F Special Taxes when due.

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

BONDOWNERS' RISKS

In addition to the other information contained in this Official Statement, the following risk factors should be carefully considered in evaluating the investment quality of the 2016 Bonds. The Community Facilities District and the Underwriter 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 2016 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the willingness of property owners in Improvement Area F to pay their Improvement Area F Special Taxes and the Community Facilities District Special Taxes when due. Any such failure to pay Improvement Area F Special Taxes could result in the inability of the Community Facilities District to make full and punctual payments of debt service on the 2016 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in Improvement Area F.

Risks of Real Estate Secured Investments Generally

The Bondowners 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 Improvement Area F, the supply of or demand for competitive properties in such area, and the market value of residential 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, wildfires, floods and droughts), which may result in uninsured losses. For example, in May 2014, wildfires occurred in the San Diego area, including within a graded portion of the Community Facilities District. No homes were damaged by the wildfire.

Economic Uncertainty

In recent years, there have been local economic uncertainty and volatility within the region. Unemployment rates have slightly changed to approximately 3.4% for the Poway area as of July 1, 2016 (not seasonally adjusted) as compared to 3.3% for calendar year 2015, approximately 5.0% for the City of San Diego (not seasonally adjusted) as compared to 4.9% for calendar year 2015 and approximately 5.3% (not seasonally adjusted) for San Diego County as compared to 5.2% for calendar year 2015. The Community Facilities District 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 2016 Bonds.

State Budget

As a result of the slow State and national economies, the State in recent years experienced serious budgetary shortfalls. The effect of the State revenue shortfalls on the local or State economy or on the demand for, or value of, the property within Improvement Area F of the Community Facilities District cannot be predicted.

Improvement Area F Special Taxes Are Not Personal Obligations

The current and future owners of land within Improvement Area F are not personally liable for the payment of the Improvement Area F Special Taxes. Rather, the Improvement Area F Special Tax is an obligation only of the land within Improvement Area F. If the value of the land within Improvement Area F is not sufficient to fully secure the Improvement Area F Special Tax, then Improvement Area F has no recourse against the landowner under the laws by which the Improvement Area F Special Tax has been levied and the 2016 Bonds have been issued.

The 2016 Bonds Are Limited Obligations of the Community Facilities District

The Community Facilities District has no obligation to pay principal of and interest on the 2016 Bonds in the event Improvement Area F Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Improvement Area F Special Tax are delinquent, nor is the Community Facilities District obligated to advance funds to pay such debt service on the 2016 Bonds.

Neither the faith and credit nor the taxing power of the School District, the State or any political subdivision thereof other than the Community Facilities District is pledged to the payment of the 2016 Bonds. Except for the Improvement Area F Special Taxes, no other taxes are pledged to the payment of the 2016 Bonds. The 2016 Bonds are not general or special obligations of the School District, the State or any political subdivision thereof nor general obligations of the Community Facilities District, but are special obligations of the Community Facilities District, payable solely from Improvement Area F Net Special Taxes and the other assets pledged therefor under the Indenture.

Assessed Values

Prospective purchasers of the 2016 Bonds should not assume that the land within Improvement Area F of the Community Facilities District could be sold for the assessed amount described in this Official Statement at a foreclosure sale for delinquent Improvement Area F Special Taxes.

The assessed values summarized hereto estimate the fee simple interest assessed value of the property within Improvement Area F of the Community Facilities 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.

No assurance can be given that if any of the Taxable Property in Improvement Area F of the Community Facilities District should become delinquent in the payment of the Improvement Area F Special Taxes, and be foreclosed upon, that such property could be sold for the assessed value. See “Value-to-Lien Ratios,” below.

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 as represented by the principal amount of bonds repaid by such assessment or special tax. 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 typically 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. Such local agencies typically do not coordinate their bond issuances. Debt issuance by an entity other than the Community Facilities District can therefore dilute value-to-lien ratios. See "COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV) IMPROVEMENT AREA F – Direct and Overlapping Debt."

Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property

While the Improvement Area F 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 table in the section entitled "COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUBAREA IV) IMPROVEMENT AREA F – Direct and Overlapping Debt" sets forth 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. The table does 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 Improvement Area F Special Tax securing the 2016 Bonds.

In general, as long as the Improvement Area F Special Tax is collected on the County tax roll, the Improvement Area F Special Tax 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 Improvement Area F Special Taxes securing the 2016 Bonds, the Improvement Area F Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Improvement Area F 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 Improvement Area F 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 Improvement Area F Special Tax 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 Improvement Area F Special Tax is a claim with regard to a hazardous substance. See "Factors Affecting Parcel Values and Aggregate Value – *Hazardous Substances*" below.

Disclosure to Future Purchasers

The Community Facilities District has recorded Notices of Special Tax Lien on behalf of itself and Improvement Area F in the Office of the San Diego County Recorder on September 21, 2001, as Document Nos. 2001-0681525 and 2001-0681531, respectively and on April 29, 2010 an Amendment to Notice of Special Tax on behalf of Improvement Area F as Document No. 2010-0214176. 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 Improvement Area F Special Tax obligation and Community Facilities District Special Tax obligation in the purchase of a parcel of land or a home in Improvement Area F 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 Improvement Area F Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Improvement Area F Special Tax when due.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels of Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel 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 or disposing of it. All of these possibilities could significantly affect the value of a Taxable Property that is realizable upon a delinquency.

Improvement Area F Special Tax Delinquencies

In order to pay debt service on the 2016 Bonds, it is necessary that the Improvement Area F Special Taxes be paid in a timely manner. Under provisions of the Act, the Improvement Area F Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2016 Bonds are derived, are customarily billed to the properties within the Community Facilities District, as applicable, on the regular ad valorem property tax bills sent to owners of such properties. Such Improvement Area F 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 Improvement Area F Special Tax installment payments in the future. If a substantial number of homeowners fail to pay the Improvement Area F Special Taxes when due there could be significant special tax delinquencies.

Insufficiency of the Improvement Area F Special Tax

The principal source of payment of principal of and interest on the 2016 Bonds is the proceeds of the annual levy and collection of the Improvement Area F Special Tax against property within Improvement Area F. The annual levy of the Improvement Area F Special Tax is subject to the maximum tax rates authorized. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Improvement Area F Special Tax, together with other available funds, will not be sufficient to pay debt service on the 2016 Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Improvement Area F Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Improvement Area F Special Tax are delinquent.

The levy of the Improvement Area F Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Property and the amount of the levy of the Improvement Area F Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the 2016 Bonds, and certainly not a direct relationship.

The Improvement Area F Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and application of the Improvement Area F Rate and Method. Application of the Improvement Area F Rate and Method will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property within Improvement Area F. Thus, in addition to annual variations of the revenue needs from the Improvement Area F Special Tax, the following are some of the factors which might cause the levy of the Improvement Area F Special Tax on any particular Taxable Property to vary from the Improvement Area F Special Tax that might otherwise be expected:

(1) Reduction in the amount of Taxable Property, for such reasons as acquisition of Taxable Property by a government and failure of the government to pay the Improvement Area F Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property.

(2) Failure of the owners of Taxable Property to pay the Improvement Area F Special Tax and delays in the collection of or inability to collect the Improvement Area F Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property.

Except as set forth above under "SECURITY FOR THE 2016 BONDS – Improvement Area F Special Taxes" and " – Rates and Methods" herein, the Indenture provides that the Improvement Area F Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE 2016 BONDS – Proceeds of Foreclosure Sales" and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the 2016 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Community Facilities District of the proceeds of sale if the Reserve Fund is depleted. See "SECURITY FOR THE 2016 BONDS – Proceeds of Foreclosure Sales."

In addition, the Improvement Area F Rate and Method limits the increase of Improvement Area F Special Taxes levied on parcels of Developed Property to cure delinquencies of other property owners in Improvement Area F. See "SECURITY FOR THE 2016 BONDS – Rates and Methods" herein.

Exempt Properties

Certain properties are exempt from the Improvement Area F Special Tax in accordance with the Improvement Area F Rate and Method (see "SECURITY FOR THE 2016 BONDS – Rates and Methods" herein). In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Improvement Area F Special Tax; *provided, however*, that property within Improvement Area F acquired by a public entity subsequent to adoption of the Resolution of Formation through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Improvement Area F Special Tax, will continue to be subject to the Improvement Area F Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Improvement Area F Special Tax. In addition, although the Act provides that if property subject to the Improvement Area F Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Improvement Area F Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Improvement Area F Special Tax. In the event that additional property is dedicated to the School District or other public entities, this additional property might become exempt from the Improvement Area F Special Tax.

The Act further provides that no other properties or entities are exempt from the Improvement Area F 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.

Depletion of Reserve Fund

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement (see "SECURITY FOR THE 2016 BONDS – Reserve Fund" herein). Funds in the Reserve Fund may be used to pay principal of and interest on the 2016 Bonds, in the event the proceeds of the levy and collection of the Improvement Area F Special Tax against property within the Community Facilities District are insufficient. If funds in the Reserve Fund are depleted, the funds can be replenished from the proceeds of the levy and collection of the Improvement Area F Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bondowners pursuant to the Indenture. However, no replenishment from the proceeds of an Improvement Area F Special Tax levy can occur as long as the proceeds that are collected from the levy of the Improvement Area F Special Tax against property within Improvement Area F, 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 Improvement Area F Special Tax.

Potential Delay and Limitations in Foreclosure Proceedings

The payment of property owners' taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Improvement Area F Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY FOR THE 2016 BONDS – Proceeds of Foreclosure Sales" and "BONDOWNERS' RISKS – Bankruptcy and Foreclosure Delay" herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The ability of the Community Facilities District to collect interest and penalties specified by State law and to foreclose against properties having delinquent Improvement Area F Special Tax installments may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Drug Enforcement Agency, the Internal Revenue Service or other similar federal governmental agencies has or obtains an interest. See "BONDOWNERS' RISKS – Payments by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies" herein.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of Improvement Area F Special Taxes or the timing of enforcement of Improvement Area F 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.

The Community Facilities District and the School District are unable to predict what effect the application of a policy statement by the FDIC regarding payment of state and local real property taxes would have in the event of a delinquency on a parcel within Improvement Area F 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 likely reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale.

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 the control of the Community Facilities District or the School District. Potential investors should assume that, under current conditions, it is estimated that a judicial foreclosure of the lien of Improvement Area F Special Taxes may take up to two or three years from initiation to the lien foreclosure sale. At an Improvement Area F 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 Improvement Area F 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 Improvement Area F 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 Community Facilities 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.

Delays and uncertainties in the Improvement Area F Special Tax lien foreclosure process create significant risks for Bondowners. High rates of special tax payment delinquencies which continue during the pendency of protracted Improvement Area F Special Tax lien foreclosure proceedings, could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon foreclosure. In that event, there could be a default in payment of the principal of, and interest on, the 2016 Bonds. See "Improvement Area F Special Taxes Are Not Personal Obligations" above.

If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the Community Facilities District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days (or in some cases a shorter period) 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 aggregate principal amount of the 2016 Bonds Outstanding.

No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Improvement Area F Special Tax installment. The Act does not require the School District or the Community Facilities District 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 Improvement Area F Special Tax will have the same lien priority in the case of delinquency as do ad valorem property taxes.

If the Reserve Fund is depleted and delinquencies in the payment of Improvement Area F Special Taxes exist, there could be a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the Community Facilities District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method and the Act, the Community Facilities District may adjust the Improvement Area F Special Taxes levied on all property in Improvement Area F in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the 2016 Bonds and to replenish the Reserve Fund. There is, however, no assurance that the maximum Improvement Area F Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the 2016 Bonds by Indenture. The levy of Improvement Area F Special Taxes is subject to the maximum annual amount of Improvement Area F Special Taxes authorized by the qualified voters of Improvement Area F and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District. See "SECURITY FOR THE 2016 BONDS – Rates and Methods – Improvement Area F Rate and Method – *Prepayment of Annual Special Taxes* – Table 3."

Bankruptcy and Foreclosure Delay

The payment of Improvement Area F Special Taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent Improvement Area F Special Taxes as discussed in the section herein entitled "SECURITY FOR THE 2016 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 2016 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 Improvement Area F 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 Improvement Area F Special Taxes, a delay in prosecuting superior court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Improvement Area F Special Taxes and could result in the possibility of delinquent Improvement Area F Special Taxes not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Improvement Area F 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 Improvement Area F

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 Improvement Area F 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 2016 Bonds and the possibility of delinquent Improvement Area F Special Taxes not being paid in full. Moreover, amounts received upon foreclosure sales may not be sufficient to fully discharge delinquent installments. To the extent that a significant percentage of the property in Improvement Area F is owned any property owner, and Improvement Area F Special Taxes have been levied on such property, and such owner is the subject of bankruptcy proceedings, the payment of the Improvement Area F Special Tax and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Improvement Area F Special Tax could be extremely curtailed by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

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 able 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 Improvement Area F 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 Improvement Area F 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 Improvement Area F Special Tax, the amount of Improvement Area F Special Tax received from parcels whose owners declare bankruptcy could be reduced.

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

Payments by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies

The ability of the Community Facilities District to collect interest and penalties specified by State law and to foreclose the lien of delinquent Improvement Area F Special Taxes may be limited in certain respects with regard to properties in which the FDIC, Fannie Mae, Freddie Mac, the Federal National Mortgage Association, the Drug Enforcement Agency, the Internal Revenue Service or other similar federal governmental agencies has or obtains an interest.

FDIC. 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.

The Community Facilities District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Improvement Area F Special Taxes on a parcel within Improvement Area F in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Owners of the 2016 Bonds should assume that the Community Facilities District will be unable to collect Improvement Area F Special Taxes or to foreclose on any parcel within Improvement Area F owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the 2016 Bonds. Based upon the secured tax roll as of January 1, 2016, the FDIC did not own any of the property in Improvement Area F. The Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the 2016 Bonds are outstanding.

Mortgage Interests. 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 Improvement Area F 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 Improvement Area F 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 the Community Facilities District wishes to foreclose on the parcel as a result of delinquent Improvement Area F 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 Improvement Area F Special Taxes and preserve the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within Improvement Area F of the Community Facilities District becoming owned by the federal government, federal government entities or federal government sponsored entities, see " Exempt Properties" above.

Factors Affecting Parcel Values and Aggregate Value

Geologic, Topographic and Climatic Conditions. The value of the Taxable Property in Improvement Area F in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on the parcels of Taxable Property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides, liquefaction, floods or fires, and climatic conditions such as tornadoes, droughts, and the possible reduction in water allocation or availability. For example, in May 2014, wildfires occurred in the San Diego area, one of which was in the Community Facilities District but there was no damage other than brush which burned. It can be expected that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Taxable Property may well depreciate or disappear.

Seismic Conditions. Improvement Area F is located in a seismically active region in Southern California. Active faults which could cause significant ground shaking over Improvement Area F 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 Improvement Area F. As a result, the property owners may be unable or unwilling to pay the Improvement Area F Special Taxes when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in Improvement Area F 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 Improvement Area F Special Taxes. Development within Improvement Area F 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 Improvement Area F of the Community Facilities District.

Drought Conditions. With respect to droughts specifically, the State of California in recent years has been facing water shortfalls. Most recently, on May 9, 2016, in response to a five-year drought, Governor Edmund G. Brown Jr. issued an executive order which established a new water use efficiency framework for California. The order bolstered the State's drought resilience and preparedness by establishing longer-term water conservation measures that include permanent monthly water use reporting, new urban water use targets, reducing system leaks and eliminating clearly wasteful practices, strengthening urban drought contingency plans and improving agricultural water management and drought plans. On May 18, 2016, the State Water Resources Control Board adopted a statewide water conservation approach that requires local water agencies to ensure a three-year supply assuming three more dry years like the ones the State experienced from 2012 to 2015. Water agencies that face shortages under three additional dry years are required to meet a conservation standard equal to the amount of the shortage.

The historic drought has lasted for years and will not be resolved by a single year's rainfall. The implementation of mandatory water reductions is ongoing. The Community Facilities District cannot predict how long the drought conditions will last, what effect drought conditions may have on property values, whether to what extent water reduction requirements may affect the homeowners or development in the Community Facilities District or to what extent the drought could cause disruptions to economic activity within the boundaries of Improvement Area F of the Community Facilities District.

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 Improvement Area F 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) may be 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, may become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling or disposing of it. All of these possibilities could significantly affect the financial and legal ability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

The value of the property within Improvement Area F, does not take into account the possible reduction in marketability and value of any of the parcels of Taxable Property by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The Community Facilities District has not independently verified and is not aware that the owner (or operator) has such a current liability with respect to any of the parcels of Taxable Property. However, it is possible that such liabilities do currently exist and that the Community Facilities District is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within Improvement Area F 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 Improvement Area F Special Tax installments.

Legal Requirements. Other events which may affect the value of a parcel of Taxable Property in Improvement Area F include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

No Acceleration Provisions

The 2016 Bonds do not contain a provision allowing for the acceleration of the 2016 Bonds in the event of a payment default or other default under the terms of the 2016 Bonds or the Indenture. Pursuant to the Indenture, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies (see APPENDIX C – "Summary of Certain Provisions of the Indenture" herein). So long as the 2016 Bonds are in book-entry form, DTC will be the sole Bondowner. See APPENDIX F – "Book-Entry System.

Community Facilities District Formation

California voters, on June 6, 1978, approved an amendment ("Article XIIIA") to the California Constitution. Section 4 of Article XIIIA, requires a vote of two-thirds of the qualified electorate to impose "special taxes," or any additional *ad valorem,* sales or transaction taxes on real property. At an election held within Improvement Area F pursuant to the Act, more than two-thirds of the qualified electors within the Improvement Area F, consisting of the landowners within the boundaries of Improvement Area F, authorized the Community Facilities District to incur bonded indebtedness to finance City Facilities and approved the Improvement Area F Rate and Method. The Supreme Court of the State has not yet decided whether landowner elections (as opposed to resident elections) satisfy requirements of Section 4 of Article XIIIA, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a "special tax" for purposes of Article XIIIA.

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

Billing of Improvement Area F 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 Improvement Area F Special Taxes are billed to the properties within the Community Facilities 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 Improvement Area F Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Improvement Area F 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 Improvement Area F Special Taxes in the future. See "SECURITY FOR THE 2016 BONDS – Proceeds of Foreclosure Sales" for a discussion of the provisions which apply and procedures which the Community Facilities District is obligated to follow in the event of delinquency in the payment of installments of Improvement Area F Special Taxes.

Inability to Collect Improvement Area F Special Taxes

In order to pay debt service on the 2016 Bonds, it is necessary that the Improvement Area F Special Tax levied against land within Improvement Area F be paid in a timely manner. The Community Facilities District has covenanted in the Indenture under certain conditions to institute foreclosure proceedings against property with delinquent Improvement Area F Special Tax in order to obtain funds to pay debt service on the 2016 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 Improvement Area F 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 owners of the 2016 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 Improvement Area F Special Tax installment. Although the Act authorizes the Board of Education to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the Board of Education 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 "SECURITY FOR THE 2016 BONDS – Proceeds of Foreclosure Sales."

Right to Vote on Taxes Act

An initiative measure, Proposition 218, commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIIC ("Article XIIIC") and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative as they may relate to community facilities districts are subject to interpretation by the courts.

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

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

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Improvement Area F Special Taxes if such reduction would interfere with the timely retirement of the 2016 Bonds.

It may be possible, however, for voters of Improvement Area F to reduce the Improvement Area F Special Taxes in a manner which does not interfere with the timely repayment of the 2016 Bonds but which does reduce the maximum amount of Improvement Area F 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 Improvement Area F Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Improvement Area F Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2016 Bonds.

The Act also establishes time limits for initiating any challenge to the validity of special taxes levied pursuant to the Act and any challenge to the validity of bonds issued pursuant to the Act. Section 53341 of the Act provides 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 this chapter shall be commenced within 30 days after the special tax is approved by the voters. Any appeal from a final judgment in that action or proceeding shall be perfected within 30 days after the entry of judgment."

Section 53359 of the Act provides that:

> "An action to determine the validity of bonds issued pursuant to this chapter or the validity of any special taxes levied pursuant to this chapter may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure but shall, notwithstanding the time limits specified in Section 860 of the Code of Civil Procedure, be commenced within 30 days after the voters approve the issuance of the bonds or the special tax if the action is brought by an interested person pursuant to Section 863 of the Code of Civil Procedure. Any appeal from a judgment in that action or proceeding shall be commenced within 30 days after entry of judgment."

Based on the forgoing, with respect to any challenge to the validity of the Improvement Area F Special Tax or the Bonds, the Community Facilities District believe that under current State law the time for initiating any such legal challenge has expired

Like its antecedents, the Initiative is likely to undergo both judicial and legislative scrutiny before its impact on Improvement Area F and the Community Facilities District 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 Community Facilities District is not able to predict the outcome of any such examination.

For example, on August 1, 2014, in City of San Diego. v. Shapiro, an Appellate Court ruled that an election held by the City of San Diego to authorize the levying of special taxes on hotels City-wide pursuant to a City ordinance which created a convention center facilities district and which specifically defined the electorate to consist solely of (1) the owners of real property in the City on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located, was invalid under the California Constitution because such landowners and lessees are neither "qualified electors" of the City for purposes of Articles XIII A, Section 4 of the California Constitution nor do they comprise a proper "electorate" under Article XIIIC, Section 2(d). The Court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes pursuant to Section 53326(b) of the Act is constitutional under Article XIII A, Section 4 and Article XIIIC, Section 2(d) in districts that lack sufficient registered voters to conduct an election among registered voters, and thus does not affect the validity of the levy of the Improvement Area F Special Taxes by the Community Facilities District. In addition, the provisions of the Act described above that establish time limits for initiating any challenge to the validity of the Improvement Area F Special Taxes levied pursuant to the Act or the issuance of Bonds pursuant to the Act described above would provide obstacles to any party which sought to present a legal challenge to the validity of the Improvement Area F Special Taxes or the Bonds based on the City of San Diego v. Shapiro case. The Community Facilities District is not able to predict the outcome of any such examination of the Initiative in relation to community facilities districts formed under the Act.

The Community Facilities District covenants in the Indenture that it shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the Community Facilities District receives a certificate from one or more Special Tax Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in Improvement Area F as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels of Developed Property 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 to less than 110% of Maximum Annual Debt Service, and (ii) the Legislative Body 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 Community Facilities District further covenants that in the event any initiative is adopted by the qualified electors which purports to reduce the maximum authorized Improvement Area F Special Tax below the levels authorized pursuant to the Improvement Area F Rate and Method, the Community Facilities District will, from funds available under the Indenture, commence and pursue legal actions to preserve the authority and power of the Community Facilities District to levy Improvement Area F Special Taxes pursuant to the Improvement Area F Rate and Method.

The foregoing discussion of the Initiative and related matters should not be considered an exhaustive or authoritative treatment of the issues. The Community Facilities District does 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 2016 Bonds as well as the market for the 2016 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 County, 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.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the 2016 Bonds or, if a secondary market exists, that such 2016 Bonds can be sold for any particular price. Although the Community Facilities District has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of credit rating for the 2016 Bonds 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.

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS – Tax Exemption," the interest on the 2016 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2016 Bonds as a result of future acts or omissions of the Community Facilities District and the School District in violation of certain provisions of the Code and the covenants of the Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2016 Bonds, the Community Facilities District has covenanted in the 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 2016 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the 2016 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2016 Bonds were issued as a result of acts or omissions of the Community Facilities District in violation of the Code. Should such an event of taxability occur, the 2016 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 Indenture. See "THE 2016 BONDS – Redemption."

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing or examination of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2016 Bonds will be selected for audit or examination by the IRS. It is also possible that the market value of such 2016 Bonds might be affected as a result of such an audit of such 2016 Bonds (or by an audit of similar bonds or securities).

The School District received a letter from 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 asked for copies of specified documents, information and responses to specific questions. In October 2013, the IRS closed the examination with no-change to the position that interest received by the beneficial owners of the SFID 2007-1 Series B Bonds and the Authority's 2008 Lease Revenue Bonds is excludable from gross income under Section 103 of the Code.

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 2016 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 2016 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 2016 Bonds. In recent years, 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 2016 Bonds. Prospective purchasers of the 2016 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. As discussed in this Official Statement, under the caption "LEGAL MATTERS," interest on the 2016 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2016 Bonds were issued as a result of future acts or omissions of the Community Facilities District in violation of its covenants in the Indenture. Should such an event of taxability occur, the 2016 Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

Backup Withholding

Interest paid with respect to tax-exempt obligations such as the 2016 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest with respect to the 2016 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Limitations on Remedies

Remedies available to the Bondowners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2016 Bonds or to preserve the tax-exempt status of the 2016 Bonds. See "Payments by FDIC, Fannie Mae, Freddie Mac and other Federal Agencies," "No Acceleration Provisions" and "Billing of Improvement Area F Special Taxes" herein.

LEGAL MATTERS

Legal Opinion

The legal opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, approving the validity of the 2016 Bonds will be made available to purchasers at the time of original delivery and is attached hereto as Appendix E. A copy of the legal opinion will be printed on each 2016 Bond. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is serving as Disclosure Counsel. Best Best & Krieger LLP will also pass upon certain legal matters for the School District and the Community Facilities District as special counsel to these entities.

Tax Exemption

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2016 Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2016 Bonds is exempt from State of California personal income tax. Bond Counsel notes that interest on the 2016 Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. Bond Counsel further notes, however, that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the 2016 Bonds is based upon certain representations of fact and certifications made by the Community Facilities District, the School District, the Underwriter and others and is subject to the condition that the Community Facilities District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations adopted pursuant to the Code (the "Treasury Regulations") that must be satisfied subsequent to the issuance of the 2016 Bonds to assure that interest on the 2016 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code and the Treasury Regulations might cause interest on the 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016 Bonds. The Community Facilities District have covenanted to comply with all such requirements.

To the extent the issue price of any maturity of the 2016 Bonds is less than the amount to be paid at maturity of such 2016 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2016 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 2016 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 2016 Bonds is the first price at which a substantial amount of such maturity of the 2016 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 2016 Bonds accrues daily over the term to maturity of such 2016 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 2016 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2016 Bonds. Owners of the 2016 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2016 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2016 Bonds in the original offering to the public at the first price at which a substantial amount of such 2016 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.

Should the interest on the 2016 Bonds become includable in gross income for federal income tax purposes, the 2016 Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Indenture.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2016 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 Bond Owners from realizing the full current benefit of the tax status of such interest. For example, proposals are announced from time to time which, generally would limit the exclusion from gross income of interest on obligations like the 2016 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2016 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2016 Bonds. Prospective purchasers of the 2016 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2016 Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a Bond, and Bond Counsel expresses no opinion with respect thereto.

The Internal Revenue Service (the "IRS") has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the 2016 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2016 Bonds might be affected as a result of such an audit (or by an audit of similar bonds).

Although Bond Counsel has rendered an opinion that interest on the 2016 Bonds is excluded from gross income for federal income tax purposes provided the Community Facilities District continue to comply with certain requirements of the Code, the accrual or receipt of interest on the 2016 Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the 2016 Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

Absence of Litigation

No litigation is pending or threatened concerning the validity of the 2016 Bonds. There is no action, suit or proceeding known by the Community Facilities District or the School District to be pending at the present time restraining or enjoining the delivery of the 2016 Bonds or in any way contesting or affecting the validity of the 2016 Bonds or any proceedings of the Community Facilities District or the School District taken with respect to the execution thereof. A no litigation certificate executed by the School District, on behalf of the Community Facilities District, will be delivered to the Underwriter simultaneously with the delivery of the 2016 Bonds.

No General Obligation of School District or Community Facilities District

The 2016 Bonds are not general obligations of the School District or the Community Facilities District, but are limited obligations of the Community Facilities District payable solely from proceeds of the Improvement Area F Special Tax and proceeds of the 2016 Bonds, including amounts in the Reserve Fund, Improvement Area F Special Tax Fund and Bond Service Fund and investment income on funds held pursuant to the Indenture (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 2016 Bonds shall be limited to the Improvement Area F Special Taxes to be collected within Improvement Area F.

NO RATING

The 2016 Bonds have not been rated by any securities rating agency and there are no current plans to do so in the future.

UNDERWRITING

The 2016 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated at a purchase price of $1,919,190.15 (which represents the aggregate principal amount of the 2016 Bonds of $1,995,000.00, less a net original issue discount of $30,922.35 and less an underwriter's discount of $44,887.50).

The purchase agreement relating to the 2016 Bonds provides that the Underwriter will purchase all of the 2016 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the 2016 Bonds to certain dealers and others at prices lower than the offering price stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

In each of 2014 and 2015, the Underwriter made a contribution to the Poway Unified School District Foundation, whose mission is to provide the School District with additional resources through donations, grants, and endowments to enhance the educational opportunities of the School District's students.

PROFESSIONAL FEES

Fees payable to certain professionals, including the Underwriter, Nossaman LLP, as Underwriter's Counsel, and Zions Bank, a division of ZB, National Association, as the Fiscal Agent, are contingent upon the issuance of the 2016 Bonds. From time to time, Disclosure Counsel represents the Underwriter on matters unrelated to the 2016 Bonds.

MISCELLANEOUS

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 statement 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 representatives of fact. This Official Statement is not to be construed as a contract or agreement between the Community Facilities District and the purchasers or owners of any of the 2016 Bonds.

The execution and delivery of the Official Statement by the Community Facilities District has been duly authorized by the Poway Unified School District on behalf of the Community Facilities District.

POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 10
(TORREY HIGHLANDS – SUBAREA IV)

By: /s/ Kamran Azimzadeh
Kamran Azimzadeh, Interim Associate Superintendent, Business Support Services, of the Poway Unified School District on behalf of Community Facilities District No. 10 (Torrey Highlands – Subarea IV) of the Poway Unified School District

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APPENDIX A

GENERAL INFORMATION ABOUT THE POWAY UNIFIED SCHOOL DISTRICT

The following information relating to the School District is included only for the purpose of supplying general information regarding the School District. Neither the faith and credit nor the taxing power of the School District has been pledged to payment of the 2016 Bonds, and the 2016 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: Director of Capital Facilities Funding and Planning. There may be a charge for copying, mailing and handling.

General Information

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California (the "State"). The School District was established in 1962. The School District provides educational instruction for grades TK-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 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz, StoneBridge Estates and Torrey Highlands. The School District currently operates 25 elementary schools (K-5), six middle schools (6-8), one TK-8 school, five high schools (9-12) and one continuation high school. The School District's second period report (P-2, the period from July 1 to April 15) of average daily attendance ("ADA") computed in accordance with State law for the 2013-14 academic year was 34,451, for the 2014-15 academic year was 34,490, for the 2015-16 academic year was 34,587 and for the 2016-17 academic year is estimated to be 34,587. The estimated population within the School District's boundaries was approximately 197,571 as of January 1, 2015. The School District reported 35,959 students enrolled at the California Longitudinal Pupil Achievement Data System ("CALPADS" formerly CBEDS) during Fiscal Year 2015-16.

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 Mel Robertson, Ed.D., Acting Superintendent[1], and Kamran Azimzadeh, Interim 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.

Commencing with Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaced the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The Governor refers to the proposals as the "Local Control Funding Formula." The State budget provided funding in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a more uniform base per-pupil rate for each of several grade levels. The base rates are augmented by several funding supplements for (1) students needing additional services, defined as English learners, students from lower income families and foster youth; (2) school districts with high concentrations of English learners and lower income families; and (3) high school students. The new funding system requires school districts to develop local plans describing how the school district intends to educate its students.

From Fiscal Year 2006-07 through Fiscal Year 2016-17, 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 substantially built out with incidences of in-fill throughout the east side 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:

[1] At the November 15, 2016, Board meeting, the Board is scheduled to consider an employment agreement for an Interim Superintendent with Dr. Tony Apostle, which if approved, will become effective November 16, 2016.

Poway Unified School District
Student Enrollment

Fiscal Year	CBEDS/CALPADS 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	5,631
2009-10	33,797	32,646	5,202
2010-11	34,135	33,054	5,224
2011-12	34,569	33,553	5,170
2012-13	35,196	34,064	5,227
2013-14	35,498	34,451	N/A (1)
2014-15	35,629	34,490	N/A (1)
2015-16	35,771	34,587	N/A (1)
2016-17	35,771(2)	34,587 (2)	N/A (1)

(1) Commencing with Fiscal Year 2013-14, the State restructured allocations for funding K-12 education and begins implementing the Local Control Funding Formula. See " – Administration and Enrollment" above.
(2) Estimated.

Source: California Department of Education and the School District.

Labor Relations

As of June 2016, the School District employed approximately 1,948 certificated professionals and approximately 2,161 classified employees. The professionals, except management and some part-time employees, are represented by the bargaining units as noted below:

Poway Unified School District
District Employees

Labor Organization	Approximate Number of Employees In Organization (1)	Contract Expiration Date
Poway Federation of Teachers (PFT), Local 2357	1,658	6/30/16
Service Employees International Union	489	6/30/16
Poway Schools Employees Association	1,585	6/30/16

(1) Excludes management and part-time employees who are not represented by any of the labor organizations.
(2) Recently a vote was taken by members of the Service Employees International Union to join into the Poway School Employees Association. The labor organizations will continue under separate contracts until all steps are completed. All three labor organizations are in negotiations under their respective contracts.

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 in Fiscal Year 2012-13 was $10,601,369, in Fiscal Year 2013-14 was $11,213,488 and in Fiscal Year 2014-15 was

$12,578,187. The School District's contribution to STRS for Fiscal Year 2015-16 is estimated to be $16,834,538 and the School District's contribution to STRS for Fiscal Year 2016-17 is estimated to be $22,621,528. 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 in Fiscal Year 2012-13 was $7,272,505, in Fiscal Year 2013-14 was $7,311,483 and in Fiscal Year 2014-15 was $7,908,524. The School District's contribution to PERS for Fiscal Year 2015-16 was $8,215,942 and the School District's contribution to PERS for Fiscal Year 2016-17 is estimated to be $9,981,717. In order to receive PERS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

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, 2013, was $1,763,725, for the Fiscal Year ending June 30, 2014 was $1,617,998, for the Fiscal Year ending June 30, 2015, was $1,503,467, and for the Fiscal Year ending June 30, 2016, was $1,416,969. The School District's contribution for these benefits is estimated to be $1,554,846 for Fiscal Year 2016-17 (adopted budget). 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 $50,000,000 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.

APPENDIX B

FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA F OF COMMUNITY FACILITIES DISTRICT NO. 10 OF POWAY UNIFIED SCHOOL DISTRICT

AND

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 10 OF POWAY UNIFIED SCHOOL DISTRICT

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

An Annual Special Tax shall be levied on and collected in Improvement Area ("IA") F of Community Facilities District ("CFD") No. 10 of the Poway Unified School District ("School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in IA F of CFD No. 10, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A
DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

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

"Administrative Expenses" means any ordinary and necessary expense of the School District to carry out its duties as the legislative body of IA F of CFD No. 10.

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

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

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service on all Non-School Bonds or other periodic costs on the Non-School Bonds, (ii) the Administrative Expenses of IA F of CFD No. 10, (iii) any costs associated with the release of funds from an escrow account in association with the Non-School Bonds, (iv) any amount required to establish or replenish any reserve funds established in association with the Non-School Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (v) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement. In arriving at the 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 previous Fiscal Year.

"Assessor's Parcel" means a parcel of land in IA F of CFD No. 10 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

"Assigned Annual Special Tax" means the Special Tax of that name as set forth in Section D. In each Fiscal Year, Assigned Annual Special Tax revenues shall be used in the following order of priority; (i) to satisfy the Annual Special Tax Requirement and (ii) to pay for the acquisition, construction, rehabilitation, and improvement of School Facilities.

"Assigned Annual Special Tax Present Value of Taxes" means the present value of Assigned Annual Special Tax applicable to such Assessor's Parcel in the current Fiscal Year not yet received by the School District for IA F of CFD No. 10, plus the expected Assigned Annual Special Tax applicable to such Assessor's Parcel in each remaining Fiscal Year until the termination date specified in Section I using as the discount rate the (i) Bond Yield after Non-School Bond issuance or (ii) the most recently published Bond Index prior to the Non-School Bond issuance. The duration used to calculate the Assigned Annual Special Tax Present Value of Taxes prior to the issuance of the first series of Non-School Bonds shall be the lesser of (i) thirty-four (34) years and (ii) the number of Fiscal Year remaining until Fiscal Year 2050/2051.

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

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

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

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes of IA F of CFD No. 10 are pledged.

"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 S&P's A-plus, as reasonably determined by the Board.

"Bond Yield" means the yield on the last series of Non-School Bonds issued by or on behalf of IA F of CFD No. 10, as calculated at the time such Non-School 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.

"Building Permit" means a permit for the construction of one or more Units issued by the City, or another public agency in the event the City no longer issues permits for the construction of Units within IA F of CFD No. 10. 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 internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Unit or other applicable records of the City.

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

"City" means the City of San Diego.

"County" means the County of San Diego.

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

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

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

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

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

"Inflator" means the greater of (i) the annual percentage change in the Index, as calculated for the twelve (12) months ending December 31 of the prior Calendar Year and (ii) two percent (2.00%).

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

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

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

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

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

"Reserve Fund Credit" means the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.

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

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

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

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

"Special Tax" means any of the special taxes authorized to be levied in IA F of CFD No. 10 under the Act.

"Supplemental Annual Special Tax" means the Special Tax of that name as set forth in Section E. In each Fiscal Year, Supplemental Annual Special Tax revenue shall be used to pay for the acquisition, construction, rehabilitation, and improvement of School Facilities.

"Supplemental Annual Special Tax Present Value of Taxes" means the present value of Supplemental Annual Special Tax applicable to such Assessor's Parcel in the current Fiscal Year not yet received by the School District for IA F of CFD No. 10, plus the expected Supplemental Annual Special Tax applicable to such Assessor's Parcel in each remaining Fiscal Year until the termination date specified in Section I using as the discount rate the (i) Bond Yield after Non-School Bond issuance or (ii) the most recently published Bond Index prior to Non-School Bond issuance. The duration used to calculate the Supplemental Annual Special Tax Present Value of Taxes prior to the issuance of the first series of Non-School Bonds shall be the lesser of (i) thirty-four (34) years and (i) the number of Fiscal Years remaining until Fiscal Year 2050/2051.

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

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

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

SECTION B
ASSIGNMENT OF ASSESSOR'S PARCELS

For each Fiscal Year, beginning with Fiscal Year 2010/2011, each Assessor's Parcel 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 Minimum Taxable Acreage as determined pursuant to Section J.

SECTION C
MAXIMUM SPECIAL TAX

1. Developed Property

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

2. Undeveloped Property

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

SECTION D
ASSIGNED ANNUAL SPECIAL TAXES

1. <u>Developed Property</u>

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2010/2011 shall be the amount determined by reference to Table 1 below.

<u>TABLE 1</u>

ASSIGNED ANNUAL SPECIAL TAX FOR DEVELOPED PROPERTY FOR FISCAL YEAR 2010/2011

Building Square Footage	Assigned Annual Special Tax
< 1,750	$1,521.71 per Unit
1,750 – 1,900	$1,648.16 per Unit
1,901 – 2,050	$1,774.78 per Unit
2,051 – 2,200	$1,869.58 per Unit
> 2,200	$1,964.54 per Unit

Each July 1, commencing July 1, 2011, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. <u>Undeveloped Property</u>

The Assigned Annual Special Tax for an Assessor's Parcel of Undeveloped Property in Fiscal Year 2010/2011 shall be $18,367.51 per acre of Acreage. On each July 1, commencing July 1, 2011, the Assigned Annual Special Tax for each Assessor's Parcel of Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

SECTION E
SUPPLEMENTAL ANNUAL SPECIAL TAXES

1. Developed Property

The Supplemental Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2010/2011 shall be the amount determined by reference to Table 2 below.

TABLE 2

SUPPLEMENTAL ANNUAL SPECIAL TAX FOR DEVELOPED PROPERTY FOR FISCAL YEAR 2010/2011

Building Square Footage	Assigned Annual Special Tax
< 1,750	$651.00 per Unit
1,750 – 1,900	$705.10 per Unit
1,901 – 2,050	$759.26 per Unit
2,051 – 2,200	$799.82 per Unit
> 2,200	$840.44 per Unit

Each July 1, commencing July 1, 2011, the Supplemental Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall increase by the Inflator.

Each July 1, commencing the July 1 immediately following the Fiscal Year in which an Assessor's Parcel was first classified as Developed Property, the Supplemental Annual Special Tax for each Assessor's Parcel of Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Undeveloped Property

No Supplemental Annual Special Tax shall apply to Undeveloped Property.

SECTION F
BACKUP ANNUAL SPECIAL TAX

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 shall be the rate per Lot calculated according to the following formula in Fiscal Year 2010/11 or such later Fiscal Year in which such Final Subdivision Map is created, subject to increases as described below:

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

The terms above have the following meanings:

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

Each July 1, commencing July 1 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. No Backup Annual Special Tax shall be applied to Affordable Units or Senior Citizen Units.

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

1. Determine the total Backup Annual Special Tax revenue anticipated to apply to the changed or modified area of the Final Subdivision Map prior to the change or modification.

2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property of the Final Subdivision Map that is anticipated to be changed or modified, 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 per square foot of Acreage that shall be applicable to Assessor's Parcels of Developed Property in such changed or modified area of the Final Subdivision Map for all remaining Fiscal Years in which the Special Tax may be levied. Each July 1, commencing the July 1 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 G
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2010/2011, and for each subsequent Fiscal Year, the Board shall levy an Annual Special Tax 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 sum of the (i) Assigned Annual Special Tax and (ii) Supplemental Annual Special Tax applicable to each such Assessor's Parcel.

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

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

SECTION H
PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligations 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, 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. However, the Supplemental Annual Special Tax obligation of an Assessor's Parcel may be prepaid only after or concurrently with the prepayment of the Assigned Annual Special Tax obligation for such Assessor's Parcel. An owner of an Assessor's Parcel intending to prepay the Assigned Annual Special Tax and Supplemental Annual Special Tax obligation shall provide IA F of CFD No. 10 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:

$$AP = APVT – RFC + PAF \text{ or } SP = SPVT – RFC + PAF$$

The terms above have the following meanings:

AP	=	Assigned Annual Special Tax Prepayment Amount
SP	=	Supplemental Annual Special Tax Prepayment Amount
APVT	=	Assigned Annual Special Tax Present Value of Taxes
SPVT	=	Supplemental Annual Special Tax Present Value of Taxes
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

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

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records of IA F of CFD No. 10 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act 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 I
TERMINATION OF SPECIAL TAX

The Annual Special Tax shall be levied for a term of thirty-four (34) Fiscal Years after the issuance of Non-School Bonds by IA F of CFD No. 10, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2050/2051.

SECTION J
EXEMPTIONS

The Deputy Superintendent shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, (v) Assessor's Parcels for which building permits were issued on or before May 1 of the prior Fiscal Year for the construction of Affordable Units and/or Senior Citizen Units exclusively, and (vi) other types of Assessor's Parcels, at the reasonable discretion of the Deputy Superintendent, provided that no such classification would reduce the Acreage of all Taxable Property to less than 6.87 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 6.87 acres of Acreage will continue to be classified as Taxable Developed Property or Taxable Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

SECTION K
APPEALS

Any property owner claiming that the amount or application of any Special Tax is not correct may file a written notice of appeal with the Deputy Superintendent not later than twelve (12) months after having paid the Special Tax that is disputed. The Deputy Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Deputy Superintendent's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy or in other special cases, as determined by the Deputy Superintendent), but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION L
MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that IA F of CFD No. 10 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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April 10, 2001

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 10 OF THE POWAY UNIFIED SCHOOL DISTRICT

An Annual Special Tax and a One-Time Special Tax shall be levied on and collected in Community Facilities District No. 10 ("CFD No. 10") of the Poway Unified School District ("School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in CFD No. 10, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A
DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

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

"Administrative Expenses" means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of CFD No. 10.

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

"Assessor's Parcel" means a lot or parcel of land in CFD No. 10 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

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

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

"Attached Unit" means a Unit that (i) consists or shall consist of a building or buildings in which each of the individual Units has at least one common wall with another Unit and (ii) is not a Senior Citizen Unit.

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

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes of CFD No. 10 are pledged.

"Building Square Footage" or **"BSF"** means the square footage of internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Unit or other applicable records of the City.

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

"City" means the City of San Diego.

"County" means the County of San Diego.

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

"Developed Property" means all Assessor's Parcels for which building permits were issued for the construction of Units on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Assistant Superintendent.

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

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

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

"Gross Floor Area" or "GFA" means the covered and enclosed space within the perimeters of a commercial or industrial structure, not including any storage area incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposable area, as used in Section 65995 of the Government Code.

"Gross Prepayment Amount" means any amount determined by reference to Table 2 and adjusted as set forth in Section G.

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

"Inflator" means the greater of (i) the annual percentage change in the Index, as calculated for the twelve (12) months ending December 31 of the prior Calendar Year or (ii) two percent (2.0%).

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

"One-Time Special Tax" means the single payment Special Tax to be levied as set forth in Section D.

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

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

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

"Special Tax" means any of the special taxes authorized to be levied by CFD No. 10 under the Act.

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

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

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

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

"Zone 1" means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment.

"Zone 2" means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment.

SECTION B
ASSIGNMENT OF ASSESSOR'S PARCELS

For each Fiscal Year, beginning with Fiscal Year 2001-02, (i) each Assessor's Parcel shall be classified as Exempt Property or Taxable Property; (ii) each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property; and (iii) each Assessor's Parcel shall be assigned to a Zone in accordance with Exhibit A.

SECTION C
MAXIMUM SPECIAL TAX

1. <u>Developed Property</u>

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

2. <u>Undeveloped Property</u>

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

SECTION D
ONE-TIME SPECIAL TAX

The One-Time Special Tax shall be collected for each Assessor's Parcel on or before the date a building permit is issued for such Assessor's Parcel in the amounts described below.

1. <u>Zone 1</u>

From May 1, 2001 to April 30, 2002, the One-Time Special Tax amounts in Zone 1 shall be (i) $2.14 per square foot of BSF for Detached Units, (ii) $2.14 per square foot of BSF for Attached Units, (iii) $0.36 per square foot of BSF for Senior Citizen Units, and (iv) $0.36 per GFA. On each May 1, commencing May 1, 2002, the One-Time Special Tax amounts in Zone 1 shall be increased by the Inflator.

2. <u>Zone 2</u>

From May 1, 2001 to April 30, 2002, the One-Time Special Tax amounts in Zone 2 shall be (i) $2.14 per square foot of BSF for Detached Units, (ii) $0.00 per square foot of BSF for Attached Units, (iii) $0.36 per square foot of BSF for Senior Citizen Units, and (iv) $0.36 per GFA. On each May 1, commencing May 1, 2002, the One-Time Special Tax amounts in Zone 2 shall be increased by the Inflator.

SECTION E
ASSIGNED ANNUAL SPECIAL TAX

1. Assigned Annual Special Tax for New Developed Property

The Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be the amount determined by reference to Table 1 below, subject to adjustment as described below, as applicable. No Assigned Annual Special Tax shall apply to Senior Citizen Units.

TABLE 1

ASSIGNED ANNUAL SPECIAL TAX FOR NEW DEVELOPED PROPERTY FOR FISCAL YEAR 2001-02		
Unit Type	**Assigned Annual Special Tax in Zone 1[1]**	**Assigned Annual Special Tax in Zone 2[1]**
Detached Unit	$1,817.70 per Unit	$1,817.70 per Unit
Attached Unit	$749.15 per Unit	$1,012.00 per Unit
1. No Assigned Annual Special Tax shall apply to Senior Citizen Units.		

Each July 1, commencing July 1, 2002, the Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be increased by the Inflator.

2. Assigned Annual Special Tax for Existing Developed Property

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

SECTION F
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Assistant Superintendent shall levy the Annual Special Tax on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.

SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAX

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

1. Prior to Issuance of Bonds

Prior to the issuance of Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a building permit has been issued shall be the amount equal to the Gross Prepayment Amount. The Gross Prepayment Amount for the period May 1, 2001 to April 30, 2002 shall be the amount determined by reference to Table 2.

TABLE 2

GROSS PREPAYMENT AMOUNT FOR MAY 1, 2001 TO APRIL 30, 2002		
Unit Type	**Gross Prepayment Amount in Zone 1**	**Gross Prepayment Amount in Zone 2**
Detached Unit	$18,870.40 per Unit	$18,870.40 per Unit
Attached Unit	$8,083.83 per Unit	$10,920.16 per Unit

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

2. 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
<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. For each Assessor's Parcel of Developed Property, compute the Assigned Annual Special Tax. For each Assessor's Parcel of Undeveloped Property, compute the Assigned Annual Special Tax as though it was already designated as Developed Property, based upon the building permit issued for that Assessor's Parcel.

2. For each Annual Special Tax obligation to be prepaid, divide the Assigned Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Assigned Annual Special Tax applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Assistant Superintendent.

3. The amount determined pursuant to Section G.1. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal of the Bonds which is allocable to the applicable Assessor's Parcel, as determined by the Assistant Superintendent. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Tax determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the applicable payment.

4. Multiply the quotient computed pursuant to paragraph 2 by the face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."

5. Multiply the Bond Redemption Amount by the applicable redemption

premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."

6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.

7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.

8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."

9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."

10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.

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

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Assistant Superintendent shall indicate in the records of CFD No. 10 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Tax that may be levied in CFD No. 10, net of an allocable portion of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year, as reasonably determined by the Assistant Superintendent.

SECTION H
TERMINATION OF ANNUAL SPECIAL TAX

The Annual Special Tax shall be levied for a term of thirty-one (31) Fiscal Years after the last series of Bonds is issued, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

SECTION I
EXEMPTIONS

The Assistant Superintendent shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, or (v) other types of Assessor's Parcels, at the reasonable discretion of the Assistant Superintendent.

SECTION J
APPEALS

Any property owner claiming that the amount or application of any Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent not later than twelve (12) months after having paid the Special Tax that is disputed. The Assistant Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendent's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy or in other special cases, as determined by the Assistant Superintendent), but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION K
MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 10 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations. The One-Time Special Tax shall be collected prior to the issuance of a building permit.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Bond Indenture and is supplemental to the summary of other provisions of such documents described elsewhere in this Official Statement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Bond Indenture. Purchasers of the Bonds are referred to the complete text of the document, copies of which are available upon request from the Fiscal Agent.

DEFINITIONS

Definitions.

Unless the context otherwise requires, the capitalized terms used in the Indenture, shall for all purposes of the Bond Indenture, have the meanings specified in the Indenture to be equally applicable to both the singular and plural forms of any of the terms defined in the Indenture.

"2012 Certificates of Participation" means the Poway Unified School District Certificates of Participation (2012 School Facilities Restructuring Program) executed and delivered pursuant to the Trust Agreement by and among U.S. Bank National Association, the Authority and the School District.

"2012 Certificates of Participation Trustee" means Zions Bank, a division of ZB, National Association, and any successor thereto.

"2012 Lease Agreement" means that Lease Agreement, dated as of September 1, 2012, by and between the School District and the Authority, including the Initial Mode Additional Provisions pursuant to the Indenture.

"Administrative Expense Fund" means the fund by that name established pursuant to the Indenture.

"Administrative Expense Requirement" means an annual amount equal to \$19,023.63, which amount shall escalate by 2% in each Bond Year commencing in the Bond Year beginning on September 2, 2017.

"Administrative Expenses" means (a) the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County 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 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. 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, including from mandatory sinking fund payments.

"Annual Special Tax" shall have the meaning given such term in the Special Tax RMA.

"Associate Superintendent, Business Support Services" means the Associate Superintendent, Business Support Services of the School District.

"Authority" means the Poway Unified School District Public Financing Authority.

"Authorized Representative" of the District means the Superintendent or the Associate Superintendent, Business Support Services, acting on behalf of the District, or any other person designated by the Superintendent and authorized to act on behalf of the District under or with respect to the Indenture and all other agreements related to the Indenture.

"Average Annual Debt Service" means the average over all Bond Years (from the date of the Bonds to their maturity) of Annual Debt Service.

"Bond Counsel" means an attorney or firm of attorneys, selected by the District, of nationally recognized standing in matters pertaining to the tax treatment of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of the State.

"Bond Register" means the books for registration and transfer of the Bonds maintained by the Fiscal Agent pursuant to the Indenture.

"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 the Bonds and any Parity Bonds at any time Outstanding pursuant to the 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. 10" or "Community Facilities District No. 10" means Poway Unified School District Community Facilities District No. 10 (Torrey Highlands - Subarea IV).

"Code" means the Internal Revenue Code of 1986, as amended.

"Comptroller of the Currency" means the Comptroller of the Currency of the United States.

"Costs of Issuance" means all costs of issuing the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, and any Supplemental Indenture, such Bonds, and any and all other agreements, instruments, certificates or other documents issued in connection therewith; any computer and other expenses incurred in connection with such Bonds; the initial fees and expenses of the Fiscal Agent (including without limitation, legal fees, acceptance fees, and first annual fees payable in advance); the fees and expenses of the appraiser, market absorption consultant, bond counsel, disclosure counsel, Independent Financial Consultant and other fees and expenses incurred in connection with the issuance of such Bonds, to the extent such fees and expenses are approved by the District.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"Defeasance Obligations" means those obligations described in paragraph 1 of the definition of Permitted Investments and which are non-callable.

"Delinquency Collection Expenses" means those fees and expenses of the District incurred by or on behalf of the District in or related to the collection of delinquent Special Taxes.

"Delinquency Proceeds" means the net amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Tax resulting from the delinquency in the payment of Special Taxes due and payable on such property and net of County of San Diego fees, foreclosure counsel fees and other fees and expenses incurred by or on behalf of the District or the School District in undertaking such foreclosure proceedings.

"Delivery Date" means the date on which any Series of the Bonds are issued and delivered to the initial purchaser thereof. The Delivery Date of the Bonds shall be December 6, 2016.

"Depository" means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the District discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Superintendent.

"Developed Property" shall have the meaning given such term in the Special Tax RMA.

"District" means Poway Unified School District Community Facilities District No. 10 (Torrey Highlands - Subarea IV).

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agreement" means that Escrow Deposit and Trust Agreement, dated as of December 1, 2016, between the District and the Escrow Bank related to the defeasance and refunding of the Prior Special Tax Bonds.

"Escrow Bank" means Zions Bank, a division of ZB, National Association, acting as escrow agent under and pursuant to the Escrow Agreement.

"Fiscal Agent" means Zions Bank, a division of ZB, National Association, 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 selected and designated by the District as its fiscal year in accordance with applicable law.

"Gross Proceeds" has the meaning ascribed to such term in Section 148(f)(6) of the Code.

"Improvement Area" means Improvement Area F of CFD No. 10.

"Improvement Area F Custodial Account" means the Custodial Account established under the Custodian Agreement by and between the District and State Street Bank and Trust Company of California, N.A. dated as of December 1, 2001 and administered by Zions Bank, a division of ZB, National Association as successor custodian (the "Custodian").

"Indenture" means the Bond Indenture, as amended or supplemented pursuant to the Indenture.

"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 Fiscal Agent.

"Interest Account" means the account by that name established within the Bond Service Fund pursuant to the Indenture.

"Interest Payment Date" means March 1 and September 1 of each year, commencing September 1, 2016 as to the Bonds.

"Legislative Body" means the Board of Education of the School District, acting as the legislative body of the District.

"Maximum Annual Debt Service" means, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year.

"Maximum Special Tax" shall have the meaning given such term in the Special Tax RMA.

"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 Indenture; 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 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 Bonds.

"Participant" means a member of or participant in the Depository.

"Permitted Investments" means any of the investments listed below that at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Fiscal Agent 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 in the Indenture 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 <u>and</u> "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

   B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "Prime-1" by Moody's.

   C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

   A. (1) the municipal obligations are not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

   B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

   C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) have been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

   D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

   E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

   F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

    With (1) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

B. The Fiscal Agent or a third party acting solely as agent therefor or for the District (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 Fiscal Agent 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 District or the Fiscal Agent, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Fiscal Agent.

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 District and the Fiscal Agent 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 District and the Fiscal Agent 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 District, the Fiscal Agent 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 District or the Fiscal Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, 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 District or Fiscal Agent.

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 Fiscal Agent.

"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 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 South Hope Street, Suite 2875, Los Angeles, California 90071, or such other offices as may be specified to the District by the Fiscal Agent in writing.

“Prior Fiscal Agent” means Zions Bank, a division of ZB, National Association, formerly known as Zions First National Bank.

“Prior Indenture” means the Bond Indenture, dated as of September 1, 2011, by and between CFD No. 10 and Zions First National Bank, as fiscal agent.

“Prior Special Tax Bonds” means the outstanding Poway Unified School District Community Facilities District No. 10 (Torrey Highlands - Subarea IV) Improvement Area F 2011 Special Tax Bonds issued in the original principal amount of $1,695,000.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Record Date” means the fifteenth (15th) calendar day of the month immediately preceding an Interest Payment Date whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Regulations” means the regulations promulgated under the Internal Revenue Code of 1986, as amended.

“Rental Payments” shall have the meaning given such term in the 2012 Lease Agreement.

“Reserve Fund” means the fund by that name established pursuant to the Indenture.

“Reserve Requirement” means an amount initially equal to $159,462.81 which amount shall, as of the date of calculation, be equal to the least of (i) Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service, or (iii) ten percent (10%) of the original issue price of the Bonds calculated in accordance with Treasury Regulations Section 1.148 2(f)(1).

“School District” means the Poway Unified School District.

“Securities Depositories” means The Depository Trust Company, New York, New York, and its successors and assigns and any replacement securities depository as may be designated in writing executed by an Authorized Representative of the District.

“Series” means, as to the Bonds, any series of the Bonds issued pursuant to the Indenture or any Supplemental Indenture.

“Special Tax” means, for purposes of the Indenture, the Special Tax authorized to be levied in the Improvement Area of the District, with the exception of the Supplemental Annual Special Tax, 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 Revenues” means (a) the proceeds of the Special Tax levied and received by the District, (b) the Delinquency Proceeds, and (c) Prepayments.

“Special Tax RMA” means the First Amended Rate and Method of Apportionment for Improvement Area F of Community Facilities District No. 10 of the Poway Unified School District approved at the special election held in the Improvement Area of the District on April 19, 2010, as may be modified from time to time in accordance with the Act.

"Standard & Poor's" or "S&P" means S&P Global Ratings, 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.

"Supplement to Mitigation Agreement" means that Supplement to Torrey Highlands – Subarea IV School Impact Mitigation Agreement made and entered into as of August 27, 2001 by and among the Poway Unified School District, Community Facilities District No. 2 (Torrey Highlands – Subarea IV) of the Poway Unified School District and the following owners and optionees of real property: Western Pacific Housing – Torrey Glenn, LLC; Western Pacific Housing – Montellano, LLC; Western Pacific Housing – Cabrera, LLC; Western Pacific Housing – Torrey Village Center; Dmig 47; D.R. Horton San Diego Holding Company Incorporated; LEN – Greystone Torrey Highlands, LLC; Greystone Homes, Inc.; THA, L.P.; TH Residential, LLC; Standard Pacific Corp.; Torrey Santa Fe – Carmel Valley, L.P. and Torrey Ranch, LLC (each, an "Owner" and collectively, the "CFD No. 10 Owners"), as it may be amended or supplemented from time to time, including by that certain Addendum to Supplement to Torrey Highlands – Subarea IV School Impact Mitigation Agreement made and entered into as of April 19, 2010 by and among the District, DR Horton Los Angeles Holding Company, Inc. and TR II, LLC.

"Supplemental Annual Special Tax" shall have the meaning given such term in the Special Tax RMA.

"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 of the Indenture or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Surplus Special Taxes" means Special Taxes levied on Developed Property (as defined in the Special Tax RMA) in excess of the Annual Special Tax Requirement (as defined in the Special Tax RMA).

"Tax Exempt" means, with reference to a Permitted Investment, a Permitted Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

"Taxable Property" shall have the meaning given such term in the Special Tax RMA.

"Yield" has the meaning assigned to such term for purposes of Section 148(f) of the Code.

GENERAL AUTHORIZATION AND TERMS

Issuance of Parity Bonds.

The District may not at any time after the issuance and delivery of the Bonds issue Parity Bonds payable from Net Special Tax Revenues and other amounts deposited in the funds and accounts created under the Supplemental Indenture providing for the issuance of such Parity Bonds (other than in the Administrative Expense Fund and any rebate fund that may be established for any Series of Parity Bonds) or 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 Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may be issued solely for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then outstanding where the issuance of such Parity Bonds will result in a reduction in Annual Debt Service in each Bond Year on all Bonds to be Outstanding following the issuance of such Parity Bonds.

FUNDS AND ACCOUNTS

Special Tax Fund.

A. 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 Indenture, 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 of the Indenture, the Special Tax Revenues deposited in the Special Tax Fund shall be held in trust and transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the first Special Tax Revenues received by the Fiscal Agent during such Fiscal Year an amount equal to the Administrative Expense Requirement.

2. The Fiscal Agent shall deposit in the Interest Account of the Bond Service Fund, on each Interest Payment Date and date for redemption of the Bonds, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date.

3. The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Interest Payment Date, or if any Parity Bonds shall be subject to mandatory sinking fund redemption pursuant to a Supplemental Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds.

4. On or after March 2 and September 2 of each year after making the transfer and deposits required under 1. through 3. above, the Fiscal Agent shall transfer the amount, if any, necessary to replenish the amount then on deposit in the Reserve Fund to an amount equal to the Reserve Requirement.

5. On or after September 2 of each year after making the deposits and transfers required under 1. through 4. above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Rebate Fund the amount specified in such request.

6. On or after September 2 of each year after making the deposits and transfers required under 1. through 5. 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:

   (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 cost of such Administrative Expenses paid or projected to be paid from the Administrative Expense Fund during the Bond Year commencing on such September 2, that will be in excess of the Administrative Expense Requirement for such Bond Year.

7. If, on or after September 2 of each year, after making the deposits and transfers required under 1. through 6. above, any moneys remain on deposit in the Special Tax Fund, such monies shall remain therein and be used for the purposes specified in 1. thru 6. above, provided, however, if at any time and from time to time, the District determines, that all or any portion of such monies constitute the proceeds of Surplus Special Taxes, the District shall, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer that amount constituting Surplus Special Taxes to the 2012 Certificates of Participation Trustee to be utilized to make Rental Payments pursuant to the 2012 Lease Agreement during the term thereof. From and after the termination of the 2012 Lease Agreement or the prepayment of the 2012 Certificates of Participation in full, the District shall, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer that amount constituting Surplus Special Taxes to the Improvement Area F Custodial Account.

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 only for such lawful purposes of the District as are authorized pursuant to the Mello-Roos Act.

Bond Service Fund.

A. Interest Account. All moneys in the Interest Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying interest on the Bonds 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 any Bonds pursuant to the Supplemental Indenture pursuant to which any Parity Bonds are issued.

Redemption Fund.

Moneys shall be deposited into the Redemption Fund by the Fiscal Agent pursuant to the terms of the Indenture and shall be set aside and used solely for the purpose of redeeming Bonds in accordance with written instructions of the District executed by an Authorized Representative given in accordance with the provisions of the Indenture. Following the redemption of any Bonds, if any funds remain in the Redemption Fund, such funds shall be transferred to the Special Tax Fund.

Administrative Expense Fund.

The Fiscal Agent shall deposit from time to time the amounts authorized for deposit therein pursuant to the Indenture. The moneys in the Administrative Expense Fund shall be used to pay Administrative Expenses from time to time upon receipt by the Fiscal Agent of a written request of the District executed by an Authorized Representative in 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.

Costs of Issuance Fund.

The Fiscal Agent shall, upon the written requisition of the District executed by an Authorized Representative, pursuant to the Indenture, disburse money from the Costs of Issuance Fund, if any, on such dates and in such amounts as specified in such requisition to pay the Costs of Issuance related to the Bonds. Any amounts remaining on deposit in the Costs of Issuance Fund on the earlier of the date on which all Costs of Issuance have been paid as stated in writing by an Authorized Representative delivered to the Fiscal Agent or six months after the Delivery Date of the Bonds shall be transferred to the Special Tax Fund. Upon such transfer, the Costs of Issuance Fund shall be closed.

Reserve Fund.

Moneys on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds as such amounts shall become due and payable in the event that the moneys in the Special Tax Fund and the Bond Service Fund for such purpose are insufficient therefor or redeeming Bonds as described in the Indenture. The Fiscal Agent shall, when and to the extent necessary, withdraw money from the Reserve Fund and transfer such money to the Bond Service Fund or the Redemption Fund for such purpose.

All Permitted Investments in the Reserve Fund shall be valued at their fair market value at least semi-annually on March 1 and September 1. On any date after the transfers required by the Indenture have been made for any Bond Year, if the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the Fiscal Agent shall transfer to the Reserve Fund from the first available moneys in the Special Tax Fund an amount necessary to increase the balance therein to the Reserve Requirement. If on March 1 or on September 1, or on the first Business Day thereafter if March 1 or September 1 is not a Business Day, of each year, the amount on deposit in the Reserve Fund is in excess of the Reserve Requirement inclusive of interest earnings and exclusive of excess created by optional redemption, the Fiscal Agent shall transfer such excess to the Interest Account of the Bond Service Fund. In connection with any optional redemption of Bonds pursuant to the Indenture, amounts on deposit in the Reserve Fund which would be in excess of the Reserve Requirement following such redemption shall be transferred to the Redemption Fund or the Interest Account of the Bond Service Fund, as applicable, prior to such redemption and applied to such redemption of Bonds pursuant to written instructions of the District executed by an Authorized Representative.

Upon receipt of written instructions of the District executed by an Authorized Representative instructing the Fiscal Agent to transfer certain moneys representing a Reserve Fund credit for a Prepayment pursuant to the Special Tax RMA, the Fiscal Agent shall transfer the amount specified in such instructions from the Reserve Fund to the Redemption Fund for the purpose of redeeming Bonds pursuant to such instructions.

Whenever the balance in the Reserve Fund and the Bond Service Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall transfer the amount in the Reserve Fund and the Bond Service Fund to the Redemption Fund to be applied, on the next succeeding interest payment date, to the payment and redemption, in accordance with the provisions of the Indenture of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund and the Bond Service Fund to the Redemption Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the District to be used for any lawful purpose of the District as set forth in the Mello-Roos Act.

Rebate Fund.

The District shall calculate Excess Investment Earnings as defined in, and in accordance with, the Tax Certificate, and shall, in writing, direct the Fiscal Agent to transfer funds to the Rebate Fund from funds furnished by the District as provided for in the Indenture and the Tax Certificate. Moneys in the Rebate Fund shall be used to pay rebate to the United States government upon written instruction from the District or as otherwise directed in writing by the District.

Notwithstanding the foregoing, the Tax Certificate may be modified, in whole or in part, without the consent of the Owners of the Bonds, upon receipt by the District of an opinion of Bond Counsel to the effect that such modification shall not adversely affect the exclusion from gross income of interest on the Bonds then Outstanding for federal income tax purposes.

The Fiscal Agent shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Fiscal Agent shall be deemed conclusively to have complied with the provisions of the Bond Indenture regarding calculation and payment of rebate if it follows the written directions of the District and it shall have no independent duty to review such calculations or enforce the compliance by the District with such rebate requirements.

Investment of Funds.

Unless otherwise specified in the Indenture, moneys in the Special Tax Fund, the Bond Service Fund, the Reserve Fund, the Costs of Issuance Fund or the Administrative Expense Fund shall, at the written direction of the District executed by an Authorized Representative given at least two (2) days prior, be invested and reinvested in Permitted Investments (including investments with the Fiscal Agent or an affiliate of the Fiscal Agent or investments for which the Fiscal Agent or an affiliate of the Fiscal Agent acts as investment advisor or provides other services so long as the investments are Permitted Investments). Moneys in the Redemption Fund shall, at the written direction of the District executed by an Authorized Representative, be invested in Permitted Investments identified in paragraph 7 of the definition of Permitted Investments. Notwithstanding anything to the contrary in the Indenture, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in paragraph 7 of the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Fiscal Agent or its nominee.

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.

Moneys in all funds and accounts may be aggregated for purposes of investing in authorized investments except when it is necessary to segregate a fund or account thereof for purposes of restricting yield on the investment of such funds.

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, 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 Fiscal Agent for the purposes specified in the Bond Indenture. With respect to amounts in the Reserve Fund, if such investments may be redeemed without penalty or premium on the Business Day prior to each Interest Payment Date, 100% of the amount on deposit in the Reserve Fund may be invested in such redeemable investments of any maturity on or prior to the final maturity of the Bonds. 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.

SUPPLEMENTAL INDENTURES

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 Bondowners, approve a Supplemental Indenture to the 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 in the Indenture 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 have a material adverse effect on the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(c) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the interests of the Bondowners;

(d) to amend any provision of the Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or

(e) to provide for the issuance of Parity Bonds pursuant to the terms of the Indenture.

Exclusive of the Supplemental Indentures provided for in the Indenture, 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 in the Indenture shall permit, or be construed as permitting, (i) an extension of the maturity date of the principal of, or the payment date of interest on, any Bond; or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon without the consent of the affected Bondowner(s), or permit, or be construed as permitting: (A) a preference or priority of any Bond or Bonds over any other Bond or Bonds; (B) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture; or (C) creating of a pledge of or lien or charge upon the Special Tax Revenues superior to the pledge provided for in the Indenture, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District shall desire to approve a Supplemental Indenture, which, pursuant to the terms of the Indenture, shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to pursuant to 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 by 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 to the 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, 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 under the Indenture, 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 under the Indenture without the prior written consent of the Fiscal Agent.

After the effective date of any action taken as provided above, 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 that 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.

MISCELLANEOUS CONDITIONS

Ownership of Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal and redemption premium, if any, of any such Bond, and the interest on any such Bond, shall be made only to or upon the order of the registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the redemption premium, if any, and interest thereon, to the extent of the sum or sums so paid.

Mutilated, Lost, Destroyed or Stolen Bonds.

If any Bond shall become mutilated, the Fiscal Agent shall authenticate and deliver a new Bond of like tenor, date and maturity in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to the Fiscal Agent and, if an indemnity satisfactory to the Fiscal Agent shall be given, the Fiscal Agent shall authenticate and deliver a new Bond of like tenor and maturity, numbered and dated as the Fiscal Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to have been lost, destroyed or stolen shall be equally and proportionately entitled to the benefits pursuant to the Indenture with all other Bonds secured pursuant to the Indenture. The Fiscal Agent shall not treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered pursuant to the Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and replacement Bond shall be treated as one and the same.

Cancellation of Bonds.

All Bonds paid or redeemed, either at or before maturity, shall be canceled upon the payment or redemption of such Bonds and shall be delivered to the Fiscal Agent when such payment or redemption is made. All Bonds canceled under any of the provisions of the Indenture shall be destroyed by the Fiscal Agent, which shall execute and provide the District with a certificate of destruction.

Covenants.

As long as the Bonds are Outstanding and unpaid, the School District, acting on behalf of 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.

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 (a) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of $6,000 or more or (b) 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 $12,000 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 of Special Taxes, if the District determines that it has collected less than 95% of the Special Taxes levied in 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 if the aggregate amount collected remains less than 95% of the Special Taxes levied for such Fiscal Year.

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 under the Indenture.

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, however, shall prevent the District from issuing and selling, pursuant to law, Parity Bonds for the purpose of refunding all or a portion of the Outstanding Bonds so long as the issuance of such Parity Bonds results in a reduction in the Annual Debt Service in each Bond Year on the Outstanding Bonds and such Parity Bonds 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 provided in the Indenture.

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 Mello-Roos 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 Mello-Roos 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 in the Indenture, a reduction in the Maximum Special Tax 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 located within the Improvement Area in each Fiscal Year will equal at least the sum of the estimated Annual Special Taxes plus 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 located within the Improvement Area in each Bond Year to less than the sum of the Administrative Expenses plus 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 within the Improvement Area pursuant to the Special Tax RMA, the District shall, from funds available thereunder, 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 Bonds under Section 103 of the Code. 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 "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. 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 from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The District specifically covenants to pay or cause to be paid to the United States of America at the times and in the amounts determined under the Indenture 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 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 under the Indenture shall be deemed to be modified to that extent.

I. The District shall not directly or indirectly extend the maturity dates of the Bonds or the time of payment of interest with respect thereto.

J. Not later than October 30 of each year, commencing October 30, 2017, and until October 30 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 Mello-Roos 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.

Arbitrage Certificate.

On the basis of the facts, estimates and circumstances now in existence and in existence on the date of the issuance of the Bonds, as determined by the Associate Superintendent, Business Support Services said Associate Superintendent, Business Support Services is authorized to certify that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds. Such certification shall be delivered to the purchaser, together with the Bonds.

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 Bond 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 of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds established pursuant to the Indenture (exclusive of the Rebate Fund) and available for such purpose, is fully sufficient to pay the principal 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 (exclusive of the Rebate Fund) 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 Bond Indenture (exclusive of the Rebate Fund) 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 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 paragraph (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.

Continuing Disclosure.

The District covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Agreement, dated as of December 1, 2016 (the “Continuing Disclosure Agreement”), by and between the School District, acting on behalf of the District and the Fiscal Agent, and accepted and agreed to by Cooperative Strategies, LLC, as the Dissemination Agent. Notwithstanding any other provision of the Indenture, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered a breach of the provisions of the Indenture; however, upon the written direction of the Owners of at least 25% aggregate principal amount of the Bonds Outstanding, and being indemnified to its satisfaction, the Fiscal Agent may, or any Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Indenture.

EVENT 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 30-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 30-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; 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 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 or 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 Mello-Roos 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 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 provided in the Indenture, out of the Net Special Tax Revenue 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 provisions of the Indenture.

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 Mello-Roos 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 conferred upon or reserved to the Owners in the Indenture 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 Mello-Roos Act or any other law.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and entered into as of December 1, 2016, by and between the Poway Unified School District, on behalf of the Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) (the "Community Facilities District"), and Zions Bank, a division of ZB, National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America (the "Bank") in its capacity as Fiscal Agent (the "Fiscal Agent"), and agreed to and accepted by Cooperative Strategies, 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 Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area F 2016 Special Tax Bonds (the "2016 Bonds");

W I T N E S S E T H:

WHEREAS, pursuant to Bond Indenture, dated as of December 1, 2016 (the "Indenture"), by and between the Community Facilities District and the Fiscal Agent, the Community Facilities District has issued the 2016 Bonds in the aggregate principal amount of $1,995,000; and

WHEREAS, the 2016 Bonds are payable from and secured by special taxes levied on certain of the taxable property within Improvement Area F of the Community Facilities District;

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Community Facilities District for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with S.E.C. Rule 15c2-12(b)(5) (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section or in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Community Facilities 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 Community Facilities District's fiscal year, which fiscal year end, as of the date of this Disclosure Agreement, is June 30.

"Community Facilities District" shall mean the Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV).

"Disclosure Representative" shall mean the Disclosure Compliance Officer of the School District (as outlined by the School District's policies and procedures), acting on behalf of the Community Facilities District or his or her designee, or such other officer or employee as the Community Facilities District shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Cooperative Strategies, LLC or any successor Dissemination Agent designated in writing by the Community Facilities District and which has filed with the Community Facilities District and the Fiscal Agent a written acceptance of such designation.

"EMMA System" shall mean the Electronic Municipal Market Access System of the MSRB (as defined below) or such other electronic system designated by the MSRB or the Securities and Exchange Commission (the "S.E.C.") for compliance with S.E.C. Rule 15c2-12(b).

"Improvement Area F" shall mean Improvement Area F of the Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV).

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated as the original underwriter of the Bonds required to comply with the Rule.

"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 Community Facilities District shall, or, shall cause the Dissemination Agent to, not later than the Annual Report Date commencing January 31, 2017, 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 Fiscal Agent an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to the Annual Report Date, the Community Facilities District shall provide the Annual Report to the Dissemination Agent. The 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 Community Facilities District may be submitted separately from the balance of the Annual Report provided by the Community Facilities District and later than the Annual Report Date if not available by that date. If the Community Facilities District's fiscal year changes, the Community Facilities District 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 Community Facilities District of such failure to receive the applicable Annual Report. The Community Facilities District shall provide a written certification with each 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 Community Facilities District and shall have no duty or obligation to review such Annual Report.

(b) If the Community Facilities District is unable to provide to the MSRB through the EMMA System and to the Fiscal Agent an Annual Report by the Annual Report Date, the Dissemination Agent shall send a notice in a timely manner to the MSRB through the EMMA System, 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 and to the Fiscal Agent as provided herein; and

(iii) if the Dissemination Agent is other than the Community Facilities District and to the extent it can confirm such filing of an Annual Report, file a report with the Community Facilities District, the Fiscal Agent certifying that an Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

Section 4. <u>Content of Annual Reports</u>. An Annual Report shall contain or incorporate by reference the following:

(a) If audited financial statements of the Community Facilities District are prepared, the Community Facilities District shall provide such audited financial statements 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 to be prepared but 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 not be deemed to be the financial statements of the Community Facilities District, unless such audited financial statements contain specific information as to such Community Facilities District, its revenues, expenses and account balances. If audited financial statements of the Community Facilities District are not prepared, no unaudited financial statements need be submitted.

(b) The following information regarding the 2016 Bonds and any parity bonds or refunding bonds issued by the Community Facilities District for Improvement Area F:

(i) Principal amount of 2016 Bonds, and/or any bonds issued to refund the 2016 Bonds, outstanding as of a date within 60 days preceding the date of the Annual Report and the current debt service schedule for the 2016 Bonds;

(ii) Balance in the Special Tax Fund and the Bond Fund as of a date within 60 days preceding the date of the Annual Report;

(iii) Balance in the Reserve Fund and a statement of the Reserve Requirement, as of a date within 60 days preceding the date of the Annual Report;

(iv) While there are funds in the Project Fund, or any accounts or any subaccounts thereof, the balance in the Project Fund, and each account or subaccount thereunder, as of a date within 60 days preceding the date of the Annual Report, and of any other fund or account held under the terms of the Indenture not referenced in clauses (ii), (iii) or (iv) hereof;

(v) A table summarizing assessed value-to-lien ratios for the property within Improvement Area F of the Community Facilities District based on the applicable land use categories under the Rate and Method of Apportionment of Special Tax for Improvement Area F of the Community Facilities District (the "Rate and Method"). The assessed values in such table will be determined by reference to the value of the parcels within Improvement Area F of the Community Facilities 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 2 next preceding the Annual Report Date. The lien values in such table will include all 2016 Bonds outstanding as of a date within 60 days preceding the date of the Annual Report of Improvement Area F, any refunding bonds relating to the 2016 Bonds and overlapping land secured debt;

(vi) Information regarding the amount of the annual special taxes levied in Improvement Area F of the Community Facilities District, whether in the case of Developed Property the amounts are the maximum available levy under the Rate and Method, the amount collected, delinquent amounts and percent delinquent for the most recently completed fiscal year;

(vii) A land ownership summary listing property owners, if any, responsible for more than 5% of the Special Tax levy as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within Improvement Area F of the Community Facilities District owned by such property owners, and the assessed value of such property, as shown on such assessment roll;

(viii) Concerning parcels within Improvement Area F of the Community Facilities District delinquent in the payment of Special Taxes to the Community Facilities District as of a date on or about the immediately preceding July 1 (if applicable), status of foreclosure proceedings, if any, and summary of results of foreclosure sales, if applicable e.g.;

- number of parcels within Improvement Area F of the Community Facilities 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 Community Facilities District related to any foreclosure proceedings upon delinquent properties within Improvement Area F of the Community Facilities District;

(ix) Identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding November 1, if applicable, plus;

- assessed value of applicable properties, and

- summary of results of foreclosure sales, if available;

(x) A copy of any report or reports for or concerning the Community Facilities District, with respect to Improvement Area F, as of the immediately preceding October 31, required under State law (e.g., any report filed with the California Debt Investment and Advisory Commission or with the State Controller); and

(xi) Any changes to the Rate and Method applicable to Improvement Area F of the Community Facilities District approved or submitted to the qualified electors of Improvement Area F of the Community Facilities District for approval prior to the filing of the Annual Report.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Community Facilities District shall provide such further information, if any, as may be necessary to make the statements required under this Section 4, 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 Community Facilities 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 Community Facilities District shall clearly identify each such other document so included by reference.

Section 5. <u>Reporting of Listed Events</u>.

(a) Pursuant to the provisions of this Section 5, the Community Facilities District shall give, or cause to be given, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the 2016 Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves (Including, e.g., the Reserve Fund) 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 the 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 Community Facilities District 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 Community Facilities District 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 Community Facilities 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 Community Facilities District determines that a Listed Event subject to a materiality requirement referenced in clauses (a)(ii), (vi), (vii), (viii), (x), (xiii) or (xiv) would not be material under applicable federal securities law, the Community Facilities District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

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1 For the purposes of the event identified in subparagraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(e) If the Dissemination Agent has been instructed by the Community Facilities 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.

Section 6. Termination of Reporting Obligation. All of the Community Facilities District's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the 2016 Bonds, (ii) prior redemption of the 2016 Bonds or (iii) payment in full of all the 2016 Bonds. If such termination occurs prior to the final maturity of the 2016 Bonds, the Community Facilities District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

Section 7. Dissemination Agent. The Community Facilities District may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Cooperative Strategies, LLC. The Dissemination Agent may resign by providing at least thirty days' written notice to the Community Facilities District and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare the Annual Report or notice of a Listed Event nor shall the Dissemination Agent be responsible for filing any Annual Report or notice of a Listed Event not provided to it by the Community Facilities District in a timely manner and in a form suitable for filing.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Community Facilities District, the Fiscal Agent and the Dissemination Agent may amend this Disclosure Agreement (and the Fiscal Agent and the Dissemination Agent shall agree to any amendment so requested by the Community Facilities District, so long as such amendment does not adversely affect the rights or obligations of the Fiscal Agent 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 2016 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 2016 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 2016 Bonds in the manner provided in the Indenture for amendments to the 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 2016 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 Community Facilities District to meet its 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 Community Facilities 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 Community Facilities 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 Community Facilities 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 Community Facilities District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding 2016 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) or any owner or beneficial owner of the 2016 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Community Facilities District, the Fiscal Agent 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 Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Community Facilities District, the Fiscal Agent or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. Section 6.08 of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture, and the Fiscal Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded to the Fiscal Agent thereunder. The Dissemination Agent and the Fiscal Agent 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 Community Facilities District. The Dissemination Agent shall have no obligation to make any disclosure concerning the 2016 Bonds, the Community Facilities District or any other matter except as expressly set out herein, *provided* that no provision of this Disclosure Agreement shall limit the duties or obligations of the Fiscal Agent under the 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 Fiscal Agent has or may have any banking, fiduciary or other relationship with the Community Facilities District or any other party, apart from the relationship created by the Indenture and this Disclosure Agreement, shall not be construed to mean that the Fiscal Agent has knowledge or notice of any event or condition relating to the 2016 Bonds or the Community Facilities 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 Community Facilities District as to the materiality of any event for purposes of Section 5 hereof. Neither the Fiscal Agent nor the Dissemination Agent makes any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent shall be paid compensation by the Community Facilities District 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 Community Facilities District's 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 2016 Bonds shall be third-party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the 2016 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 Community Facilities District:	Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) 15250 Avenue of Science San Diego, California 92128-3406 Telephone: (858) 679-2778 Telecopier: (858) 485-1388 Attention: Associate Superintendent, Business Support Services
With a copy to:	Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) 13626 Twin Peaks Road Poway, California 92064 Telephone: (858) 679-2570 Telecopier: (858) 668-5850 Attention: Director, Capital Facilities Funding and Planning
If to the Dissemination Agent:	Cooperative Strategies, LLC 8955 Research Drive Irvine, California 92618 Telephone: (949) 250-8300 Telecopier: (949) 250-8301
If to the Fiscal Agent:	Zions Bank, a division of ZB, National Association 550 South Hope Street, Suite 2875 Los Angeles, California 90071 Telephone: (213) 593-3157 Telecopier: (866) 870-0209

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 the Community Facilities District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Community Facilities District to meet 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 Community Facilities District to disclose information concerning any owner of land within the Community Facilities District except as required as part of the information required to be disclosed by the Community Facilities 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTIVE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

POWAY UNIFIED SCHOOL DISTRICT,
on behalf of Poway Unified School District
Community Facilities District No. 10
(Torrey Highlands – Subarea IV)

By: ____
Authorized Officer

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION, as Fiscal Agent

By: ____
Authorized Officer

COOPERATIVE STRATEGIES, 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 Community Facilities District No. 10 (Torrey Highlands – Subarea IV)
Name of Bond Issue:	Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) Improvement Area F 2016 Special Tax Bonds
Date of Issuance:	December 6, 2016

NOTICE IS HEREBY GIVEN that Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) (the "Community Facilities District") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of December 1, 2016, by and between the Community Facilities District and Zions Bank, a division of ZB, National Association, as Fiscal Agent, and agreed to and accepted by Cooperative Strategies, LLC, as Dissemination Agent. [The Community Facilities District anticipates that the Annual Report will be filed by ________________.]

Dated: __________

[Dissemination Agent]

cc: Community Facilities District No. 10 (Torrey Highlands – Subarea IV)
Stifel, Nicolaus & Company, Incorporated
Zions Bank, a division of ZB, National Association

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Board of Education
Poway Unified School District
15250 Avenue of Science
San Diego, California 92128-3406

$1,995,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 10
(TORREY HIGHLANDS – SUBAREA IV)
IMPROVEMENT AREA F
SPECIAL TAX REFUNDING BONDS, SERIES 2016

BOND OPINION

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) (the "District") of its Improvement Area F Special Tax Refunding Bonds, Series 2016 in the aggregate principal amount of $1,995,000 (the "Bonds"). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), Resolution No. 18-2017 adopted by the Board of Education of the Poway Unified School District (the "School District"), acting in its capacity as the Legislative Body of the Community Facilities District, on October 18, 2016, and the Bond Indenture executed in connection therewith, dated as of December 1, 2016, by and between the Community Facilities District and Zions Bank, a division of ZB, National Association as Fiscal Agent (the "Bond Indenture"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Bond Indenture.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the formation of the Community Facilities District, the designation of Improvement Area F, the modification of the Improvement Area F Special Tax RMA and the issuance of the Bonds (the "District Proceedings"). We have also examined certificates and representations of fact made by public officials and officers of the School District on behalf of the Community Facilities District and others as we have deemed necessary to render this opinion.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Community Facilities District or the School District other than the record of the District Proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof which has been or may be supplied to any purchaser of the Bonds. In rendering this opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the accuracy of the factual matters represented, warranted or certified therein.

The Bond Indenture and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

No opinion is expressed herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. The opinions may be affected by actions or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events occur. As to questions of fact material to our opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein.

It is to be understood that the rights and obligations under the Bonds and the Bond Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter enacted, affecting the enforcement of creditors' rights and remedies, to the application of equitable principles when equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases.

Based on and subject to the foregoing, and in reliance thereon, and our consideration of such questions of law as we have deemed relevant to the circumstances, we are of the following opinions:

1. The Community Facilities District has, and the District Proceedings show, full power and authority to issue the Bonds. The Bonds constitute legal, valid and binding obligations of the Community Facilities District, payable in accordance with their terms. The Community Facilities District has the full right, power and authority to levy and pledge the Improvement Area F Special Taxes to the Owners of the Bonds. The Bonds are limited obligations of the Community Facilities District payable solely from and secured by a pledge of the Net Special Tax Revenues, and from certain other funds and accounts pursuant to the Bond Indenture and are not obligations of the School District, the State of California, or any public agency thereof (other than the Community Facilities District).

2. The Bond Indenture has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the Community Facilities District.

3. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issuance of the Bonds. Pursuant to the Bond Indenture, the Community Facilities District has covenanted to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the Community Facilities District with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and is exempt from personal income taxation imposed by the State of California.

We are further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

Although interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The opinions expressed herein may be affected by actions which may be taken (or not taken) or events which may occur (or not occur) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur or are not taken or do not occur.

We are admitted to the practice of law only in the State of California and our opinion is 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.

We express no opinion as to any matter other than as expressly set forth above.

Respectfully Submitted,

BEST BEST & KRIEGER LLP

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APPENDIX F

BOOK-ENTRY SYSTEM

The following description of the "Procedures and Record Keeping" with respect to beneficial ownership interests in the 2016 Bonds, payment of principal of and interest on the 2016 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2016 Bonds, confirmation and transfer of beneficial ownership interests in the 2016 Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2016 Bonds is based solely on information furnished by DTC to the Community Facilities District which the Community Facilities District believes to be reliable, but the Community Facilities District, the Community Facilities District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Procedures and Record Keeping

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2016 Bonds. The 2016 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 2016 Bond will be issued for each maturity of the 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

Purchases of 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 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 2016 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 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 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 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2016 Bonds documents. For example, Beneficial Owners of the 2016 Bonds may wish to ascertain that the nominee holding the 2016 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 Fiscal Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 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 2016 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 Community Facilities 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 2016 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 Community Facilities District or the Fiscal Agent, 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 Fiscal Agent or the Community Facilities 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 Community Facilities District or the Fiscal Agent, 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 services as depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Community Facilities District or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, the 2016 Bond certificates are required to be printed and delivered.

The Community Facilities 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 2016 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 Community Facilities District believes to be reliable, but the Community Facilities 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 2016 Bonds, or (b) the Community Facilities District determines that DTC shall no longer act and delivers a written certificate to the Fiscal Agent to that effect, then the Community Facilities District will discontinue the Book-Entry System with DTC for the 2016 Bonds. If the Community Facilities District determines to replace DTC with another qualified securities depository, the Community Facilities District will prepare or direct the preparation of a new single separate, fully-registered 2016 Bond for each maturity of the 2016 Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Indenture. If the Community Facilities District fails to identify another qualified securities depository to replace the incumbent securities depository for the 2016 Bonds, then the 2016 Bonds shall no longer be restricted to being registered in the 2016 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 2016 Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the 2016 Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the 2016 Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Indenture, and (iii) the 2016 Bonds will be transferable and exchangeable as provided in the Indenture.

The Community Facilities District and the Fiscal Agent 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 2016 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 2016 Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Indenture; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the 2016 Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the 2016 Bonds or the Indenture. The Community Facilities District and the Fiscal Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the 2016 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 Community Facilities District and the Fiscal Agent 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 2016 Bonds or any error or delay relating thereto.*