

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain taxable income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “LEGAL MATTERS – Tax Exemption” herein.

\$10,000,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)
IMPROVEMENT AREA A
2014 SPECIAL TAX BONDS

Dated: Date of Delivery

Due: September 1, as shown below

The Poway Unified School District Community Facilities District No. 15 (Del Sur East) Improvement Area A 2014 Special Tax Bonds (the “2014 Bonds”) are being issued under the Mello-Roos Community Facilities Act of 1982 (the “Act”) and the Bond Indenture, dated as of July 1, 2014 (the “Indenture”), by and between Community Facilities District No. 15 (Del Sur East) of the Poway Unified School District (the “Community Facilities District”) and Zions First National Bank, as fiscal agent (the “Fiscal Agent”).

The 2014 Bonds are payable from proceeds of Improvement Area A Special Taxes (as defined herein) levied pursuant to the Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 15 of Poway Unified School District (the “Improvement Area A Rate and Method”) approved by the qualified electors of Improvement Area A of the Community Facilities District (“Improvement Area A”) 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 2014 Bonds are being issued (i) to finance, either directly or indirectly, the acquisition and construction of certain infrastructure improvements of benefit to Improvement Area A (“Infrastructure Improvements”), (ii) to deposit moneys into an Escrow Fund which may be released to finance, either directly or indirectly, the acquisition and construction of Infrastructure Improvements upon satisfaction of certain conditions, (iii) to pay capitalized interest on a portion of the 2014 Bonds through March 1, 2016; (iv) to pay the costs of issuing the 2014 Bonds and (v) to fund the deposit to the Reserve Fund to the Reserve Requirement applicable to the 2014 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2014 BONDS” herein.

Interest on the 2014 Bonds is payable on March 1, 2015, and semiannually thereafter on each September 1 and March 1. The 2014 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The 2014 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 2014 Bonds as described herein under “THE 2014 BONDS – Book-Entry and DTC.”

The 2014 Bonds are subject to optional redemption, mandatory redemption from prepayment of Improvement Area A Special Taxes and mandatory redemption as described herein. The 2014 Bonds maturing on September 1, 2024, September 1, 2034 and September 1, 2044 are subject to extraordinary mandatory redemption from amounts transferred from the Escrow Fund in whole or in part, on March 1, 2016, without premium under certain circumstances as described herein.

THE 2014 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2014 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 2014 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 2014 BONDS. OTHER THAN THE IMPROVEMENT AREA A SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA A RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2014 BONDS. THE 2014 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 A SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA A 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 2014 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 2014 Bonds.

The 2014 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 and by McFarlin & Anderson LLP, Laguna Hills, California, Disclosure Counsel. Additionally, Nossaman LLP, Irvine, California, has reviewed certain matters for the Underwriter. It is anticipated that the 2014 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about August 21, 2014.

STIFEL

MATURITY SCHEDULE

\$10,000,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)
IMPROVEMENT AREA A
2014 SPECIAL TAX BONDS

Base CUSIP® No. 738855[†]

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†	Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†
2015	\$30,000	2.000%	0.75%	WU5	2025	\$160,000	3.500%	3.70%	XE0
2016	60,000	2.000	1.05	WV3	2026	175,000	3.500	3.80	XF7
2017	65,000	2.000	1.50	WW1	2027	195,000	3.875	3.90	XG5
2018	75,000	2.000	1.85	WX9	2028	210,000	4.000	4.00	XH3
2019	85,000	2.500	2.25	WY7	2029	230,000	3.750	4.05	XJ9
2020	95,000	2.500	2.60	WZ4	2030	250,000	4.000	4.10	XK6
2021	110,000	2.750	2.90	XA8	2031	270,000	4.000	4.20	XL4
2022	120,000	3.000	3.15	XB6	2032	290,000	4.000	4.25	XM2
2023	135,000	3.250	3.35	XC4	2033	315,000	4.125	4.30	XN0
2024	145,000	3.500	3.55	XD2					

\$1,980,000 4.375% Term 2014 Bonds due September 1, 2038 – Yield 4.55% CUSIP® No. 738855 XP5

\$3,470,000 4.500% Term 2014 Bonds due September 1, 2044 – Yield 4.70% CUSIP® No. 738855 XQ3

\$140,000 3.500% Escrow Term 2014 Bonds due September 1, 2024 – Yield 3.65% CUSIP® No. 738855 XR1

\$450,000 4.250% Escrow Term 2014 Bonds due September 1, 2034 – Yield 4.45% CUSIP® No. 738855 XS9

\$945,000 4.625% Escrow Term 2014 Bonds due September 1, 2044 – Yield 4.80% CUSIP® No. 738855 XT7

[†] 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. Neither the Community Facilities District nor the Underwriter takes any responsibility for the accuracy of such numbers.

POWAY UNIFIED SCHOOL DISTRICT

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Kimberley Beatty, *Member*
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SUPERINTENDENT

John P. Collins, Ed.D., *Superintendent*
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Dolinka Group, LLC
Irvine, California

FISCAL AGENT

Zions First National Bank
Los Angeles, California

GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the 2014 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 2014 Bonds. All information for investors regarding the Community Facilities District and the 2014 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 2014 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 2014 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 2014 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 over allot or effect transactions which stabilize or maintain the market price of the 2014 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 2014 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.

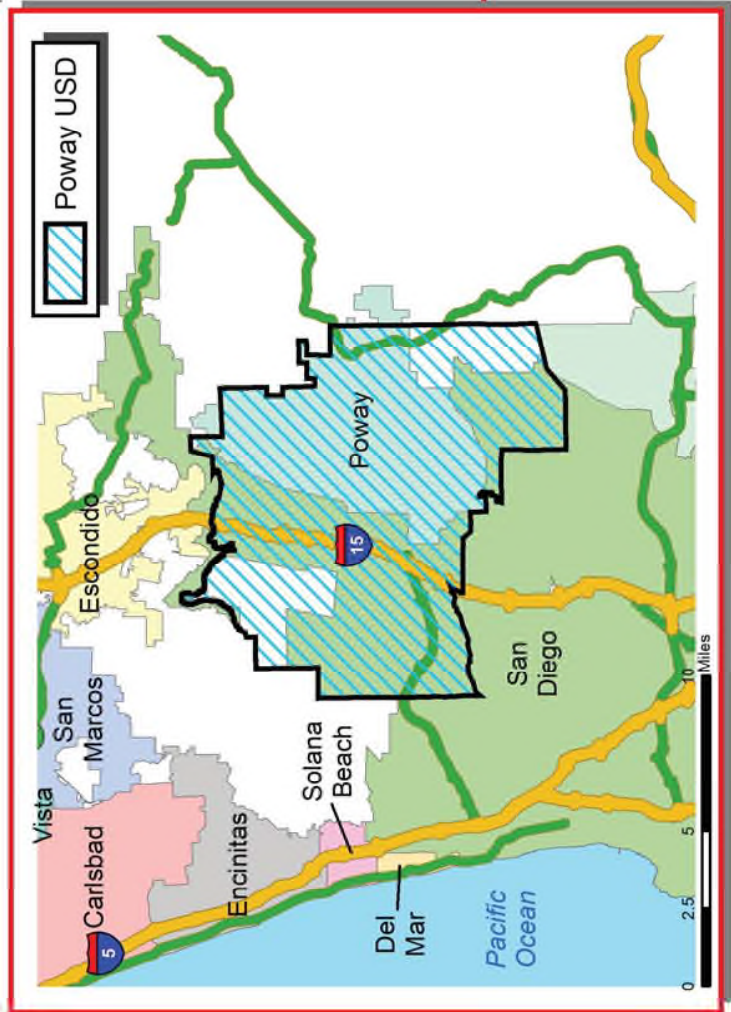
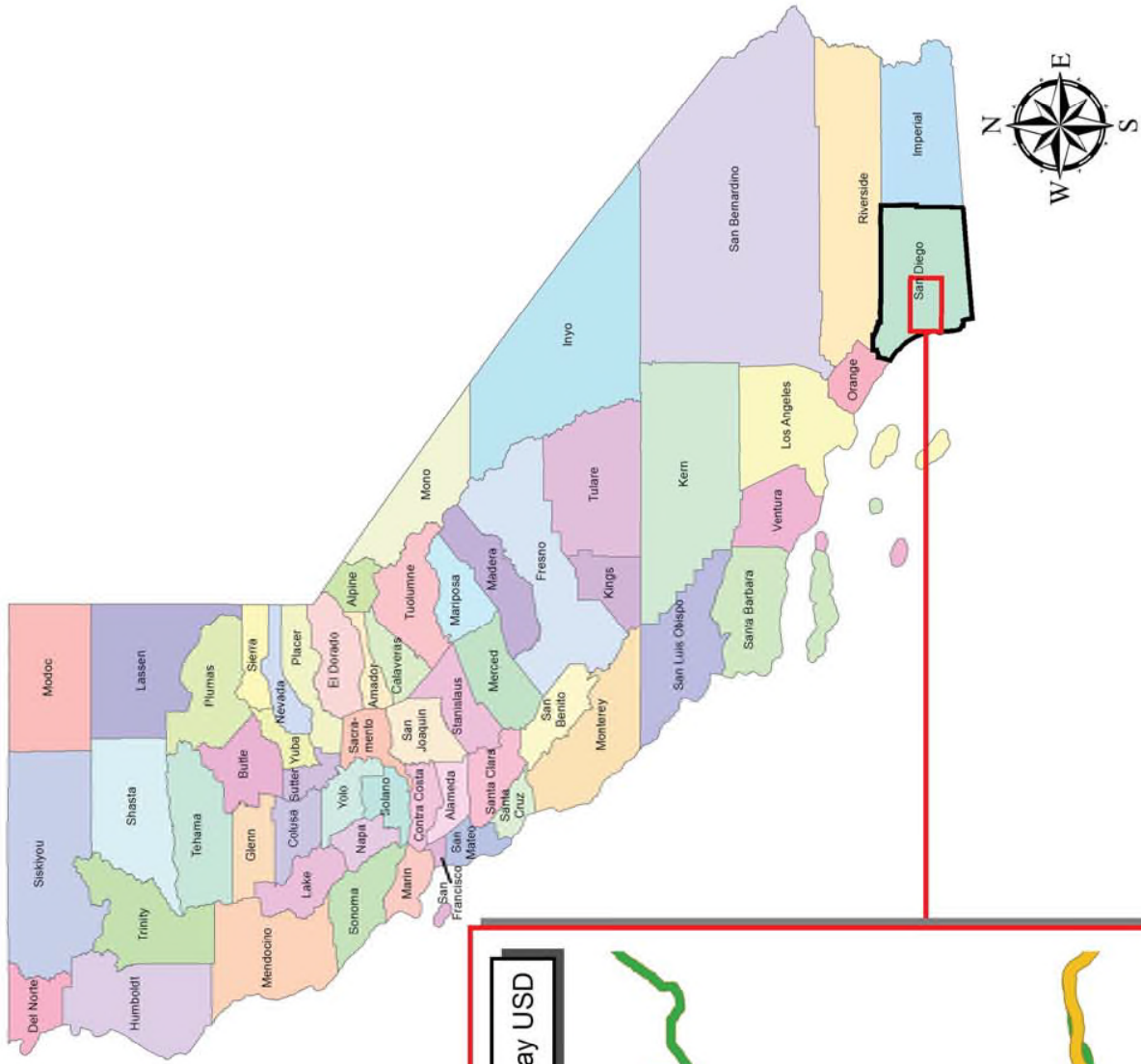
THE 2014 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2014 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

TABLE OF CONTENTS

<p>INTRODUCTION 1</p> <p> General 1</p> <p> The School District..... 1</p> <p> The Community Facilities District and Improvement Area A 2</p> <p> Purpose of the 2014 Bonds 4</p> <p> Sources of Payment for the 2014 Bonds 4</p> <p> Appraisal Report..... 5</p> <p> Market Absorption Study 6</p> <p> Tax Exemption 6</p> <p> Risk Factors Associated with Purchasing the 2014 Bonds 6</p> <p> Forward Looking Statements..... 7</p> <p> Professionals Involved in the Offering 7</p> <p> Other Information..... 7</p> <p>CONTINUING DISCLOSURE 8</p> <p>INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2014 BONDS 10</p> <p>ESTIMATED SOURCES AND USES OF FUNDS 10</p> <p>THE 2014 BONDS 11</p> <p> Authority for Issuance 11</p> <p> General Provisions..... 11</p> <p> Debt Service Schedule..... 12</p> <p> Redemption..... 13</p> <p> Registration, Transfer and Exchange..... 17</p> <p> Book-Entry and DTC 18</p> <p>SECURITY FOR THE 2014 BONDS 18</p> <p> General 18</p> <p> Improvement Area A Special Taxes..... 19</p> <p> Rates and Methods 19</p> <p> Improvement Area A Special Tax Levy 24</p> <p> Proceeds of Foreclosure Sales 27</p> <p> Improvement Area A Special Tax Fund..... 28</p> <p> Bond Service Fund 29</p> <p> Redemption Fund 29</p> <p> Reserve Fund 29</p> <p> Administrative Expense Fund 30</p> <p> Improvement Fund 30</p> <p> Escrow Fund 30</p> <p> Investment of Moneys in Funds 31</p> <p> Letters of Credit/Cash Deposit 31</p> <p> Deposits into the Letter of Credit Fund; Transfers from the Letter of Credit Fund 32</p> <p> Compliance with Letter of Credit Requirements 33</p> <p> Payment of Rebate Obligation..... 33</p>	<p> Parity Bonds for Refunding Purposes Only 33</p> <p> Improvement Area A Special Taxes Are Not Within Teeter Plan 33</p> <p>COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA A 35</p> <p> General Information 35</p> <p> Authority for Issuance..... 35</p> <p> Improvement Area A Special Tax Collections..... 36</p> <p> Property Ownership 37</p> <p> Market Absorption Study 37</p> <p> Appraised Property Values..... 38</p> <p> Value-to-Lien Ratios 40</p> <p> Direct and Overlapping Debt 43</p> <p> Overlapping Direct Assessments 47</p> <p>PROPERTY OWNERSHIP AND DEVELOPMENT 47</p> <p> SPIC Del Sur, LLC 47</p> <p> Standard Pacific and SPIC Del Sur, LLC ... 48</p> <p>BONDOWNERS' RISKS 53</p> <p> Risks of Real Estate Secured Investments Generally 53</p> <p> Economic Uncertainty..... 53</p> <p> State Budget 53</p> <p> Improvement Area A Special Taxes Are Not Personal Obligations 54</p> <p> The 2014 Bonds Are Limited Obligations of the Community Facilities District..... 54</p> <p> Appraised Values 54</p> <p> Value-to-Lien Ratios 54</p> <p> Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property 55</p> <p> Disclosure to Future Purchasers 55</p> <p> Insufficiency of the Improvement Area A Special Tax..... 56</p> <p> Exempt Properties 57</p> <p> Depletion of Reserve Fund..... 58</p> <p> Potential Delay and Limitations in Foreclosure Proceedings 58</p> <p> Bankruptcy and Foreclosure Delay 59</p> <p> Payments by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies 60</p> <p> Factors Affecting Parcel Values and Aggregate Value..... 62</p> <p> No Acceleration Provisions..... 63</p> <p> Community Facilities District Formation ... 63</p>
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Billing of Improvement Area A Special Taxes	64
Inability to Collect Improvement Area A Special Taxes.....	64
Right to Vote on Taxes Act.....	64
Ballot Initiatives and Legislative Measures.....	65
Limited Secondary Market	66
Loss of Tax Exemption	66
IRS Audit of Tax-Exempt Bond Issues	66
Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption.....	67
Backup Withholding.....	67
Limitations on Remedies.....	67
LEGAL MATTERS.....	67
Legal Opinion.....	67
Tax Exemption	68
Absence of Litigation	69
No General Obligation of School District or Community Facilities District	70
NO RATING.....	70
UNDERWRITING	70
PROFESSIONAL FEES	70
MISCELLANEOUS	71

APPENDIX A - General Information About the Poway Unified School District.....	A-1
APPENDIX B - Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 15 of Poway Unified School District and Rate and Method of Apportionment of Community Facilities District No. 15 of Poway Unified School District	B-1
APPENDIX C - Appraisal Report.....	C-1
APPENDIX D – Market Absorption Study...	D-1
APPENDIX E - Summary of Certain Provisions of the Indenture	E-1
APPENDIX F - Form of Community Facilities District Continuing Disclosure Agreement.....	F-1
APPENDIX G - Form of SPIC Del Sur, LLC Continuing Disclosure Agreement	G-1
APPENDIX H - Form of Opinion of Bond Counsel.....	H-1
APPENDIX I - Book-Entry System	I-1



Pacific Ocean

Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A



AirViews

February 11, 2014

OFFICIAL STATEMENT

\$10,000,000

**POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)
IMPROVEMENT AREA A
2014 SPECIAL TAX BONDS**

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2014 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information regarding the Poway Unified School District Community Facilities District No. 15 (Del Sur East) Improvement Area A 2014 Special Tax Bonds (the “2014 Bonds”).

The 2014 Bonds are issued pursuant to the Act (as defined below) and the Bond Indenture, dated as of July 1, 2014 (the “Indenture”), by and between Community Facilities District No. 15 (Del Sur East) of the Poway Unified School District (the “Community Facilities District”) and Zions First National Bank, as fiscal agent (the “Fiscal Agent”). See “THE 2014 BONDS – Authority of Issuance” herein.

The Community Facilities District may issue additional bonds payable on a parity with the 2014 Bonds pursuant to the provisions of the Indenture for refunding purposes only. All of the \$10,000,000 authorization is being issued at this time. See “SECURITY FOR THE 2014 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 education 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), 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 34,450.65. The estimated population within the School District’s boundaries was approximately 193,237 as of January 1, 2013. The School District reported 35,498 students enrolled at the California Basic Educational Data System (“CBEDS”) for Fiscal Year 2013-14. See APPENDIX A – “General Information About the Poway Unified School District” herein.

The Community Facilities District and Improvement Area A

The Community Facilities District was formed and established by the School District on December 17, 2012, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code, the “Act”), following a public hearing. At a landowner election held on December 17, 2012, the qualified electors of the Community Facilities District, by more than a two-thirds vote, authorized the Community Facilities District to incur a bonded indebtedness of the Community Facilities District to finance the acquisition and construction of school facilities (the “School Facilities”) and approved the levy of special taxes. The qualified electors of the Community Facilities District authorized bonded indebtedness in the aggregate not-to-exceed principal amount of \$55,000,000 and approved the levy of annual special taxes in the Community Facilities District pursuant to a Community Facilities District rate and method of apportionment of special tax (the “Community Facilities District Rate and Method” and “Community Facilities District Special Taxes,” respectively).

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.

Also on December 17, 2012, the owners of property within portions of the Community Facilities District requested the School District to form four separate improvement areas (each an “Improvement Area”) within a portion of the Community Facilities District and to authorize the issuance of bonds to finance road, water, sewer, drainage, fire station, park, public library, additional school facilities and other public facilities (the “Infrastructure Improvements”) in the aggregate not-to-exceed principal amount of \$55,000,000, such amount to be payable from special taxes levied pursuant to a separate rate and method of apportionment of special tax with respect to each Improvement Area within the Community Facilities District. Each Improvement Area, including Improvement Area A, was formed and established by the School District on December 17, 2012, pursuant to the Act, following a public hearing. At landowner elections held on December 17, 2012, the qualified electors of each Improvement Area, including Improvement Area A, by more than a two-thirds vote, authorized the Community Facilities District to incur a bonded indebtedness with respect to each Improvement Area to finance the acquisition and construction of the Infrastructure Improvements. The Community Facilities District was authorized to issue up to \$10,000,000 aggregate principal amount of bonds with respect to Improvement Area A (“Improvement Area A”) to finance the Infrastructure Improvements. No cross-collateralization exists between bonds of Improvement Area A, Improvement Area B, Improvement Area C and Improvement Area D. See “SECURITY FOR THE 2014 BONDS – Rates and Methods – Improvement Area A Rate and Method” and “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA A – Property Ownership.”

The cost of the School Facilities funded by the Community Facilities District is expected to exceed the cost of the Infrastructure Improvements funded by Improvement Area A. A portion of the costs of the Infrastructure Improvements will be financed through the levy of an annual special tax (the “Improvement Area A Special Tax,” as defined below) on Developed Property (and Undeveloped Property, if necessary) in Improvement Area A as set forth in the Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 15 of Poway Unified School District (the “Improvement Area A Rate and Method” and together with the Community Facilities District Rate and Method, each a “Rate and Method” and together the “Rates and Methods”). See “SECURITY FOR THE 2014 BONDS – Rates and Methods – Improvement Area A Rate and Method.” Annual Improvement Area A Special Taxes will be levied on Taxable Property within Improvement Area A. The Community Facilities District will use such Improvement Area A Special Taxes levied pursuant to the Improvement

Area A Rate and Method and proceeds of the Improvement Area A Bonds for the acquisition, design, construction, rehabilitation and improvement of certain Infrastructure Improvements. The 2014 Bonds are secured by and payable from the Improvement Area A Special Tax levied pursuant to the Improvement Area A Rate and Method to finance the Infrastructure Improvements. The 2014 Bonds will only finance Infrastructure Improvements. THE 2014 BONDS WILL NOT BE SECURED BY OR PAYABLE FROM THE COMMUNITY FACILITIES DISTRICT SPECIAL TAX AUTHORIZED TO BE LEVIED TO FINANCE THE SCHOOL FACILITIES.

The Community Facilities District is located at the northerly end of the City of San Diego and west of Interstate 15, approximately 2.5 miles west of Interstate 15, approximately eight miles inland from the Pacific Ocean and approximately 20 miles north of downtown San Diego. The Community Facilities District is contiguous and is generally located south of Camino Del Sur and west of 4S Ranch Parkway.

The boundaries of Improvement Area A consist of a portion of the property within the boundaries of the Community Facilities District. Improvement Area A is located in the east central part of Del Sur. Del Sur comprises the northerly portion and the final phase of development of the 4,677-acre Black Mountain Ranch. Black Mountain Ranch is a mixed use master-planned community that will ultimately contain over 2,500 dwelling units ranging from large custom estates to affordable apartments. The overall Black Mountain Ranch project obtained various development approvals dating back to 1988. The Subarea Plan that included Del Sur was approved by the San Diego City Council in 1998. Additional approvals were obtained in 2001, and final tract maps were recorded in 2004.

The Community Facilities District is the development referred to as Del Sur East. At build-out, the Community Facilities District is expected to be comprised of approximately 1,164 residential units and some commercial and industrial property and school sites. Improvement Area A is expected to have 209 for-sale residential homes upon build-out with a mixture of approximately 164 detached units and 45 attached units.

The property within the Community Facilities District was purchased by SPIC Del Sur, LLC, a California limited liability company ("SPIC Del Sur, LLC"), as part of a bulk sale from Black Mountain Ranch, LLC, a California limited liability company ("Black Mountain Ranch, LLC") to SPIC Del Sur, LLC that was executed in September, 2012 and comprised approximately 1,399 lots/units. Black Mountain Ranch, LLC is acting as the general contractor for construction of the Infrastructure Improvements to be owned, operated or maintained by the City of San Diego. Standard Pacific Corp., a Delaware corporation ("Standard Pacific") (also known as and referred to in the Appraisal as Standard Pacific Homes) is acting as the merchant builder and is constructing homes for sale to individual homeowners. Black Mountain Ranch, LLC and SPIC Del Sur, LLC are wholly-owned subsidiaries of Standard Pacific.

Improvement Area A. As of April 1, 2014, the Appraisal Report (as defined below) indicates that of the 209 lots, Standard Pacific had completed 57 homes and SPIC Del Sur, LLC had closed escrow on 49 of those homes. An additional 64 homes were under construction. Annual Improvement Area A Special Taxes will be levied on Taxable Property within Improvement Area A for the acquisition and construction of Infrastructure Improvements.

Subsequent to April 1, 2014, through July 3, 2014, SPIC Del Sur, LLC has closed escrow on additional homes, completed additional homes and commenced additional home construction. As of July 3, 2014, the Appraiser (as defined below) identified completed homes, including completed-sold homes (closed sales from a merchant builder to a homeowner – 78 homes), completed-unsold homes (15 model homes and 10 production homes), homes under construction (70 homes) and vacant lots (36 lots), aggregating the 209 residential homes/lots.

See “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA A” for a description of the Community Facilities District, Improvement Area A, SPIC Del Sur, LLC and the development within Improvement Area A.

Purpose of the 2014 Bonds

The Community Facilities District was formed pursuant to a Second Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement (the “Second Supplement to Mitigation Agreement”), dated as of November 1, 2012, by and between the School District and Black Mountain Ranch LLC, which Second Supplement to Mitigation Agreement supplements the Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement, dated as of July 1, 1998, by and between the School District and Black Mountain Ranch Limited Partnership (“BMR LP”), as amended by a First Amendment to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement, dated January 1, 2006, by and between the School District and BMR LP (collectively, the “Impact Mitigation Agreement”). See “INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2014 BONDS,” “SECURITY FOR THE 2014 BONDS – Rates and Methods – Improvement Area A Rate and Method” and “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA A” herein.

Sources of Payment for the 2014 Bonds

The 2014 Bonds are secured by and payable from a first pledge of “Net Improvement Area A Special Tax Revenues,” of Improvement Area A, which is defined in the Indenture as proceeds of the Improvement Area A Special Taxes levied and received by the Community Facilities District, including the net amounts (the “Delinquency Proceeds”) collected from the redemption of delinquent Improvement Area A 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 A Special Taxes resulting from the delinquency in the payment of the Improvement Area A Special Taxes due and payable on such property, and net of the County, foreclosure counsel and other fees and expenses incurred by or on behalf of the Community Facilities District or the School District in undertaking such foreclosure proceedings, less (a) any Delinquency Proceeds, representing Improvement Area A Special Taxes the delinquency of which necessitated a draw on a Letter of Credit or transfer of funds from a cash deposit, deposited in the Letter of Credit Fund pursuant to the Indenture to reimburse the Letter of Credit provider for such draw or to replenish the cash deposit in an amount not to exceed such transfer and (b) Administrative Expenses (as defined in the Indenture) not to exceed \$19,507.50 for Fiscal Year 2014-15 and subject to escalation by 2% each Fiscal Year thereafter commencing in Fiscal Year 2015-16. See “SECURITY FOR THE 2014 BONDS – Improvement Area A Special Tax Fund” and “– Deposits into the Letter of Credit Fund; Transfers from the Letter of Credit Fund.” “Improvement Area A Special Tax[es]” are defined in the Indenture as the proceeds of the special taxes levied and received by the Community Facilities District within Improvement Area A pursuant to the Improvement Area A Rate and Method and the Delinquency Proceeds as described above.

Pursuant to the Act, the Improvement Area A Rate and Method, the Resolution of Formation (as defined herein) and the Indenture, so long as the 2014 Bonds are outstanding, the Community Facilities District will annually ascertain the parcels on which the Improvement Area A Special Taxes are to be levied taking into account any subdivisions of parcels during the applicable Fiscal Year. The Community Facilities District shall effect the levy of the Improvement Area A Special Taxes in accordance with the Improvement Area A 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 A Special Taxes for the parcels within Improvement Area A pursuant to the Improvement Area A Rate and Method for inclusion on the next real

property tax roll. See “SECURITY FOR THE 2014 BONDS – Improvement Area A Special Taxes” herein.

The Improvement Area A Rate and Method exempts from the Improvement Area A 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 2014 BONDS – Rates and Methods” and “BONDOWNERS’ RISKS – Exempt Properties.”

The 2014 Bonds are also secured by a first pledge of all moneys deposited in the Reserve Fund. See “SECURITY FOR THE 2014 BONDS.”

The Indenture defines Reserve Requirement as an amount, as of any date of calculation, equal to the least of (i) the then maximum annual debt service on the 2014 Bonds, (ii) 125% of the then average annual debt service on the 2014 Bonds or (iii) 10% of the original issue price of the 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 A Special Taxes levied to replenish the Reserve Fund is subject to the maximum annual amount of Improvement Area A Special Taxes authorized by the qualified voters of Improvement Area A and the limitation imposed by Section 53321 of the Act as applied to Improvement Area A. The moneys in the Reserve Fund will only be used for payment of principal of, interest and any redemption premium on the 2014 Bonds, and at the direction of the Community Facilities District, for payment of rebate obligations related to the 2014 Bonds. See “SECURITY FOR THE 2014 BONDS – Improvement Area A Special Tax Levy” 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 A Special Taxes. For a more detailed description of the foreclosure covenant see “SECURITY FOR THE 2014 BONDS – Proceeds of Foreclosure Sales.”

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 2014 BONDS. OTHER THAN THE IMPROVEMENT AREA A SPECIAL TAXES LEVIED PURSUANT TO IMPROVEMENT AREA A PURSUANT TO THE IMPROVEMENT AREA A RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF 2014 BONDS. THE 2014 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 A SPECIAL TAXES AS MORE FULLY DESCRIBED HEREIN.

Appraisal Report

An MAI appraisal report of the completed homes, homes under construction and vacant lots within Improvement Area A, dated April 18, 2014 as confirmed in a letter dated July 11, 2014 (collectively, the “Appraisal Report”), was prepared by Stephen G. White, MAI of Fullerton, California (the “Appraiser”) in connection with the issuance of the 2014 Bonds. The purpose of the Appraisal Report was to estimate the aggregate market value as of April 1, 2014, by product type of the “as is” condition of the taxable property within Improvement Area A which are subject to the levy of Improvement Area A Special Taxes as segregated into the four different product types of homes, reflecting the status of completed-sold homes (closed sale to homeowner), completed-unsold homes (builder-owned), homes under construction and vacant lots. The Appraisal Report is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, the

Appraiser estimated that the market value of the property within Improvement Area A (subject to the lien of the Improvement Area A Special Taxes), as of July 3, 2014, was at least as high as the April 1, 2014, concluded value of \$90,030,000. The concluded value as of April 1, 2014, included completed sold homes (49 homes) and completed unsold homes (6 model homes and 2 production homes), 64 homes under construction and 88 vacant lots. As of July 3, 2014, the property within Improvement Area A included completed-sold homes (closed sales from a merchant builder to a homeowner – 78 homes), completed-unsold homes (15 model homes and 10 production homes), homes under construction (70 homes) and vacant lots (36 lots), aggregate 209 residential homes/lots. See “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA A – Appraised Property Values,” “ – Direct and Overlapping Debt” and APPENDIX C – “Appraisal Report” appended hereto for further information on the Appraisal Report, for limiting conditions relating to the Appraisal Report and for information relating to overlapping indebtedness.”

The market values reported in the Appraisal as of the April 1, 2014, date of value, result in an approximate value-to-lien ratio of 5.22:1, with respect to the Taxable Property within Improvement Area No. A of the Community Facilities District calculated with respect to the Series 2014 Bonds and other direct and overlapping bonded debt based on a direct and overlapping debt report, dated as of April 30, 2014, other than general obligation bonds issued by the Metropolitan Water District of Southern California. The value-to-lien ratios of individual parcels will differ from the foregoing aggregate values. See “COMMUNITY FACILITIES DISTRICT No. 15 (DEL SUR EAST) IMPROVEMENT AREA A – Direct and Overlapping Debt.” See also “BONDOWNERS’ RISKS – Appraised Values” and “ – Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property” herein and APPENDIX C – “APPRAISAL REPORT” appended hereto for further information on the Appraisal and for limiting conditions relating to the Appraisal.

Market Absorption Study

A price point and market absorption study (the “Market Absorption Study”) with respect to the property within Improvement Area A of the Community Facilities District, dated April 18, 2014 (the “Market Absorption Study”), was prepared by Empire Economics, Inc., Capistrano Beach, California (the “Market Absorption Consultant”), in connection with the issuance of the 2014 Bonds. The purpose of the Market Absorption Study was to conduct an analysis of the product mix characteristics and product pricing to estimate absorption within the Community Facilities District in general, and within Improvement Area A in particular, and to identify some potential risk factors that may influence the absorption of the residential products within the Community Facilities District in general, and within Improvement Area A in particular. According to the Market Absorption Study, all homes within Improvement Area A are estimated to be built/occupied by the end of 2015. See “COMMUNITY FACILITIES DISTRICT NO 15 (DEL SUR EAST) IMPROVEMENT AREA A – Market Absorption Study” and “APPENDIX D – Market Absorption Study.”

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 2014 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 2014 Bonds will be exempt from State personal income taxes. See “LEGAL MATTERS – Tax Exemption” herein.

Risk Factors Associated with Purchasing the 2014 Bonds

Investment in the 2014 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 2014 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. 15 (DEL SUR EAST) IMPROVEMENT AREA A” and “ – Property Ownership” 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 First National Bank, Los Angeles, California, will serve as the fiscal agent for the 2014 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 2014 Bonds and all activities related to the redemption of the 2014 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. McFarlin & Anderson LLP, 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 2014 Bonds. Nossaman LLP, Irvine, California, is acting as Underwriter’s Counsel.

The Appraisal Report was provided by Stephen G. White, MAI of Fullerton, California. The Market Absorption Study was provided by Empire Economics, Inc., Capistrano Beach, California. Dolinka Group, LLC, Irvine, California, acted as Financial Advisor, Special Tax Consultant, CFD Administrator and Dissemination Agent to the Community Facilities District.

Except for some Special Tax Consultant, Market Absorption Consultant and Appraiser fees paid from Improvement Area A Special Taxes, payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Special Tax Consultant, the Underwriter and the Fiscal Agent is contingent upon the sale and delivery of the 2014 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 2014 Bonds, certain sections of the Indenture, security for the 2014 Bonds, risk factors, the Community Facilities District, Improvement Area A, the School District, the SPIC Del Sur, LLC’s projects 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 2014 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 2014 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 Planning Director of the Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3034. There may be a charge for copying, mailing and handling of any documents.

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 F – “Form of Community Facilities District Continuing Disclosure Agreement” (the “Community Facilities District Continuing Disclosure Agreement”), for the benefit of owners and beneficial owners of the 2014 Bonds, to provide certain financial information and operating data relating to the Community Facilities District, Improvement Area A and the 2014 Bonds by not later than January 31 in each year commencing on January 31, 2015 (the “Community Facilities District Annual Report”), and to provide notices of the occurrence of certain enumerated events.

The Community Facilities District Annual Report will be filed by the Community Facilities District, or Dolinka Group, 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, with a copy to the Fiscal Agent. 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 Community Facilities District Continuing Disclosure Agreement. The covenants of the Community Facilities District in the Community Facilities District 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 Community Facilities District Continuing Disclosure Agreement will not, in itself, constitute an event of default under the Indenture, and the sole remedy under the Community Facilities District Continuing Disclosure Agreement in the event of any failure of the Community Facilities District or the Dissemination Agent to comply with the Community Facilities District Continuing Disclosure Agreement will be an action to compel performance.

A review of previous disclosure filings during the last five years with respect to financings by the School District, the Authority and community facilities districts formed by the School District indicates that annual reports, audited financial statements filed with respect to various financings by the School District, the Authority or by community facilities district formed by the School District were filed after the filing due date by a range of a few days to approximately two months primarily relating to filings made with respect to Fiscal Year 2008-09 and Fiscal Year 2011-12, and in some cases specific information to be included in an annual report was not included in the annual report filed.

With respect to financings by the Authority, the Authority failed to file its Fiscal Year 2008-09 annual reports in a timely manner as required by its undertakings in connection with its 2007 Lease Revenue Bonds and its 2008 Lease Revenue Bonds. The Authority filed such annual reports in March 2011 when the omission was detected. The Authority has since filed all such annual reports and notices in a timely manner as required by its undertakings. Finally, the audit report for Fiscal Year 2009-10 was originally incorporated by reference to <http://msrb.emma.org> in the Annual Reports filed by the Authority for Fiscal Year 2009-10. The Authority has since filed the audit report specifically with respect to the 2007 Lease Revenue Bonds and the 2008 Lease Revenue Bonds.

Additionally, notices of rating changes were not always filed with respect to financings by the School District, Community Facilities District No. 1, Community Facilities District No. 6 and the Authority. Notices listing all rating changes have since been filed by the applicable entities and such applicable entities are currently in compliance with all of their respective undertakings.

In order to remain in compliance with its undertakings in the future, the School District, the community facilities districts and the Authority have implemented procedures to file their annual reports on a timely basis and consolidated the personnel or firm responsible for preparing and/or monitoring compliance with the respective disclosure undertakings. The Dissemination Agent has revised its computerized scheduling system to facilitate timely filing of annual reports and audit reports with respect to each issue and has implemented procedures to monitor rating changes of insurers or credit providers on a weekly basis.

SPIC Del Sur, LLC. SPIC Del Sur, LLC will covenant in its SPIC Del Sur, LLC Continuing Disclosure Agreement, the form of which is set forth in APPENDIX G – “Form of SPIC Del Sur, LLC Continuing Disclosure Agreement” (the “SPIC Del Sur, LLC Continuing Disclosure Agreement”), for the benefit of owners and beneficial owners of the 2014 Bonds, to provide certain financial and operating information by not later than April 1 and October 1 of each year, commencing April 1, 2015 (a “SPIC Del Sur, LLC Semi-Annual Report”) and to provide notices of the occurrence of certain enumerated material events. SPIC Del Sur, LLC’s obligations under its SPIC Del Sur, LLC Continuing Disclosure Agreement terminate upon the occurrence of certain events, including at such time when property owned by SPIC Del Sur, LLC in the aggregate is no longer responsible for payment of 15% or more of the Improvement Area A Special Taxes. See APPENDIX G – “Form of SPIC Del Sur, LLC Continuing Disclosure Agreement.” SPIC Del Sur, LLC currently anticipates selling in excess of 85% of the property within Improvement Area A of the Community Facilities District to individual homeowners during the second quarter of 2015 and anticipates that the initial SPIC Del Sur, LLC Semi-Annual Report due April 1, 2015 will be the last report required of it under the terms of the SPIC Del Sur, LLC Continuing Disclosure Agreement.

Filing of Annual Reports; SPIC Del Sur, LLC Semi-Annual Reports; Forms of Reports. The SPIC Del Sur, LLC Semi-Annual Reports will be filed by SPIC Del Sur, LLC or the “Dissemination Agent” (as that term is defined in the SPIC Del Sur, LLC Continuing Disclosure Agreement), as applicable on behalf of SPIC Del Sur, LLC with the MSRB, with a copy to the Fiscal Agent and the Community Facilities District. Any notice of a material event will be filed by SPIC Del Sur, LLC or by the Dissemination Agent on behalf of SPIC Del Sur, LLC with the Municipal Securities Rulemaking Board with a copy to the Fiscal Agent and the Community Facilities District. The specific nature of the information to be contained in a SPIC Del Sur, LLC Semi-Annual Report or the notices of material events is set forth in the SPIC Del Sur, LLC Continuing Disclosure Agreement. The covenants of SPIC Del Sur, LLC in the SPIC Del Sur, LLC Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with the Rule; provided, however, a default under the SPIC Del Sur, LLC Continuing Disclosure Agreement will not, in itself, constitute an Event of Default under the Indenture, and the sole remedy under the SPIC Del Sur, LLC Continuing Disclosure Agreement in the event of any failure of SPIC Del Sur, LLC or the Dissemination Agent, as applicable, to comply with the SPIC Del Sur, LLC Continuing Disclosure Agreement will be an action to compel performance.

SPIC Del Sur, LLC has indicated that it is not aware of any failures by it, Black Mountain Ranch, LLC, Standard Pacific or a related entity to comply in any material respect with an undertaking under the Rule to provide annual or semi-annual reports or notices of material events Rule during the previous five years except for the following: On September 30, 2013, Standard Pacific filed a Semi-Annual Report pursuant to the Major Developer Continuing Disclosure Agreement, dated June 1, 2006 (the “2006 Disclosure Agreement”), in connection with the issuance of the Poway Unified School District Community Facilities District No. 14 (Del Sur) Improvement Area A 2006 Special Tax Bonds (the “2006 Bonds”). Pursuant to the terms of the 2006 Disclosure Agreement, Standard Pacific was not required to file a Semi-annual Report once property it owned was no longer responsible for payment of 15% or more of the Special Taxes. Pursuant to the terms of the 2006 Disclosure Agreement, Standard Pacific should

have filed a Notice to Repositories of Termination of Reporting Obligations (the “Notice”) rather than a Semi-Annual Report. Standard Pacific failed to file a Semi-Annual Report or Notice prior to the April 1, 2014 Report Date. On May 22, 2014, Standard Pacific filed the Notice and Standard Pacific has no further obligations under the 2006 Disclosure Agreement.

**INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED
WITH PROCEEDS OF THE 2014 BONDS**

Proceeds of the 2014 Bonds may be used to finance the Infrastructure Improvements. Infrastructure Improvements include the acquisition, funding, design, construction, permitting, expansion, improvement or rehabilitation of road, water, sewer, drainage, fire station, park, public library, additional school facilities and other public facilities which will be owned, operated or maintained by the School District or the City of San Diego.

A portion of the proceeds of the 2014 Bonds will be used to pay an obligation owed to Black Mountain Ranch, LLC for Infrastructure Improvements pursuant to the Impact Mitigation Agreement and the Joint Community Facilities Agreement, by and among the School District, the City of San Diego and Black Mountain Ranch, LLC, dated September 10, 2013. The costs relate to funding, acquisition, design and construction of those Infrastructure Improvements to be owned, operated or maintained by the City of San Diego.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2014 Bonds will be deposited into the following respective accounts and funds established by the School District under the Indenture, as follows:

SOURCES

Principal Amount of 2014 Bonds	\$10,000,000.00
<i>Less:</i> Original Issue Discount	(243,618.90)
<i>Less:</i> Underwriter’s Discount	<u>(160,000.00)</u>
<i>Total Sources</i>	\$9,596,381.10

USES

Deposit into Improvement Fund ⁽¹⁾	\$7,094,335.96
Deposit into Escrow Fund ⁽²⁾	1,369,381.52
Deposit into Escrow Fund Capitalized Interest Account	103,478.31
Deposit into Reserve Fund ⁽³⁾	799,185.31
Deposit into Costs of Issuance Fund ⁽⁴⁾	<u>230,000.00</u>
<i>Total Uses</i>	\$9,596,381.10

- (1) See “SECURITY FOR THE 2014 BONDS – Improvement Fund” below.
- (2) Moneys deposited into the Escrow Fund may be released to pay for Improvement Facilities upon satisfaction of certain conditions. See “SECURITY FOR THE 2014 BONDS – Escrow Fund” below.
- (3) Deposit of the amount necessary to increase the moneys on deposit in the Reserve Fund to an amount equal to the Reserve Requirement with respect to the 2014 Bonds as of the date of delivery of the 2014 Bonds.
- (4) 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 cost of the Appraisal Report, the Market Absorption Study, the fees of the Special Tax Consultant, reimbursement to the School District and reimbursement to Black Mountain Ranch LLC/SPIC Del Sur, LLC.

THE 2014 BONDS

Authority for Issuance

The 2014 Bonds will be issued pursuant to the Act and the Indenture.

General Provisions

The 2014 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, 2015 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2014 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 2014 Bonds. Ownership interests in the 2014 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 2014 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2014 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2014 Bonds in accordance with the procedures adopted by DTC. See “THE 2014 BONDS – Book-Entry and DTC.”

The 2014 Bonds will bear interest at the rates set forth on the inside cover hereof payable on the Interest Payment Dates in each year. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Each 2014 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, 2015, in which event interest shall be payable from the date of such 2014 Bonds; *provided, however*, that if at the time of authentication of a 2014 Bond, interest is in default, interest on that 2014 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 2014 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed by first-class mail on the Interest Payment Dates (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 2014 Bonds by wire transfer in immediately available funds (i) to the DTC (so long as the 2014 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 2014 Bonds are transferred to a new Owner. The principal of the 2014 Bonds and any premium on the 2014 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 2014 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 2014 Bonds (including sinking fund redemptions), assuming that there are no optional redemptions.

**Table 1A
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A**

Scheduled Annual Debt Service on 2014 Bonds

Year Ending September 1	Principal	Interest	Total Debt Service
2015	\$30,000	\$428,988.03	\$458,988.03
2016	60,000	416,793.76	476,793.76
2017	75,000	415,593.76	490,593.76
2018	85,000	413,943.76	498,943.76
2019	100,000	412,093.76	512,093.76
2020	110,000	409,443.76	519,443.76
2021	130,000	406,543.76	536,543.76
2022	140,000	402,818.76	542,818.76
2023	160,000	398,518.76	558,518.76
2024	170,000	393,256.26	563,256.26
2025	190,000	387,306.26	577,306.26
2026	205,000	380,431.26	585,431.26
2027	230,000	373,031.26	603,031.26
2028	250,000	363,987.52	613,987.52
2029	270,000	353,887.52	623,887.52
2030	295,000	343,562.52	638,562.52
2031	320,000	331,650.02	651,650.02
2032	345,000	318,725.02	663,725.02
2033	375,000	304,787.52	679,787.52
2034	405,000	289,243.76	694,243.76
2035	430,000	271,606.26	701,606.26
2036	465,000	252,631.26	717,631.26
2037	505,000	232,112.50	737,112.50
2038	540,000	209,818.76	749,818.76
2039	575,000	185,981.26	760,981.26
2040	615,000	159,993.76	774,993.76
2041	660,000	132,200.00	792,200.00
2042	705,000	102,368.76	807,368.76
2043	755,000	70,506.26	825,506.26
2044	805,000	36,381.26	841,381.26
	\$10,000,000	\$9,198,207.11	\$19,198,207.11

The following table presents the estimated Net Special Tax Revenues, annual debt service on the 2014 Bonds (including sinking fund redemptions), assuming that there are no optional redemptions, and resulting estimated debt service coverage.

Table 1B
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A

Debt Service Coverage from Net Special Tax Revenues

Year Ending Sept 1	Net Special Tax Revenues⁽¹⁾	Capitalized Interest	2014 Special Tax Bonds Debt Service	Estimated Debt Service Coverage
2015	\$428,899.94	\$69,612.68	\$428,988.03	N/A
2016	540,831.51	33,865.63	476,793.76	120.53%
2017	551,648.14	–	490,593.76	112.44
2018	562,681.10	–	498,943.76	112.77
2019	573,934.73	–	512,093.76	112.08
2020	585,413.42	–	519,443.76	112.70
2021	597,121.69	–	536,543.76	111.29
2022	609,064.12	–	542,818.76	112.20
2023	621,245.40	–	558,518.76	111.23
2024	633,670.31	–	563,256.26	112.50
2025	646,343.72	–	577,306.26	111.96
2026	659,270.59	–	585,431.26	112.61
2027	672,456.00	–	603,031.26	111.51
2028	685,905.12	–	613,987.52	111.71
2029	699,623.23	–	623,887.52	112.14
2030	713,615.69	–	638,562.52	111.75
2031	727,888.01	–	651,650.02	111.70
2032	742,445.77	–	663,725.02	111.86
2033	757,294.68	–	679,787.52	111.40
2034	772,440.57	–	694,243.76	111.26
2035	787,889.39	–	701,606.26	112.30
2036	803,647.17	–	717,631.26	111.99
2037	819,720.12	–	737,112.50	111.21
2038	836,114.52	–	749,818.76	111.51
2039	852,836.81	–	760,981.26	112.07
2040	869,893.55	–	774,993.76	112.25
2041	887,291.42	–	792,200.00	112.00
2042	905,037.25	–	807,368.76	112.10
2043	923,137.99	–	825,506.26	111.83
2044	941,600.75	–	841,381.26	111.91
Total	\$21,408,962.71	\$103,478.31	\$19,198,207.11	

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

Source: Dolinka Group, LLC.

Redemption

Optional Redemption. The 2014 Bonds may be redeemed at the option of the Community Facilities District prior to maturity as a whole or in part on any Interest Payment Date from such maturities as are selected by the Community Facilities District, and by lot within a maturity, from any source of funds, at the following redemption prices (expressed as percentages of the principal amount of the 2014 Bonds to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through and including March 1, 2022	103%
September 1, 2022 and March 1, 2023	102
September 1, 2023 and March 1, 2024	101
September 1, 2024 and any Interest Payment Date thereafter	100

Except as provided in the following sentence, the Escrow Bonds (as described below) maturing on September 1, 2024, September 1, 2034 and September 1, 2044, which are subject to mandatory sinking fund redemption pursuant to the provisions of the Indenture, commencing on September 1, 2017, September 1, 2025 and September 1, 2035, respectively (collectively, the “Escrow Bonds”), shall not be subject to optional redemption. The Escrow Bonds shall be subject to optional redemption upon the release of all moneys on deposit in the Escrow Fund pursuant to the provisions of the Indenture.

Whenever provision is made for the optional redemption of less than all of the 2014 Bonds, the Fiscal Agent shall select the 2014 Bonds to be redeemed pro rata among maturities as directed in writing by an Authorized Representative. The Fiscal Agent shall select 2014 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

Extraordinary Mandatory Redemption – Redemption from Proceeds of Improvement Area A Special Tax Prepayment. The 2014 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 Improvement Area A Special Tax Revenues transferred to the Redemption Fund pursuant to the Indenture to redeem the 2014 Bonds. Such extraordinary mandatory redemption of the 2014 Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the 2014 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through and including March 1, 2022	103%
September 1, 2022 and March 1, 2023	102
September 1, 2023 and March 1, 2024	101
September 1, 2024 and any Interest Payment Date thereafter	100

Except as provided in the following sentence, the Escrow Bonds shall not be subject to extraordinary mandatory redemption from Special Tax prepayments. The Escrow Bonds shall be subject to extraordinary mandatory redemption from Special Tax prepayments upon the release of all moneys on deposit in the Escrow Fund pursuant to the provisions of the Indenture.

Whenever provision is made for the extraordinary mandatory redemption of less than all of the 2014 Bonds, the Fiscal Agent shall select the 2014 Bonds to be redeemed, pro rata among maturities as directed in writing by an Authorized Representative. The Fiscal Agent shall select 2014 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

Extraordinary Mandatory Redemption of Escrow Bonds. The Escrow Bonds are subject to extraordinary mandatory redemption on March 1, 2016, from funds transferred from the Escrow Fund to the Redemption Fund pursuant to the provisions of the Indenture at a redemption price equal to the principal amount thereof, without premium, together with accrued interest thereon to the date of redemption.

Mandatory Sinking Fund Redemption. The 2014 Bonds, other than the Escrow Bonds, maturing on September 1, 2038 and September 1, 2044 are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2034 and September 1, 2039, respectively, at a redemption price equal to the principal amount of the 2014 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 schedules:

Bonds Maturing on September 1, 2038

Sinking Fund Redemption Date (September 1)	Principal Amount
2034	\$340,000
2035	365,000
2036	395,000
2037	425,000
2038 (maturity)	455,000

Bonds Maturing on September 1, 2044

Sinking Fund Redemption Date (September 1)	Principal Amount
2039	\$485,000
2040	520,000
2041	555,000
2042	595,000
2043	635,000
2044 (final maturity)	680,000

The Escrow Bonds maturing on September 1, 2024, September 1, 2034, and September 1, 2044, are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year, commencing September 1, 2017, September 1, 2025, and September 1, 2035, respectively, at a redemption price equal to the principal amount of the Escrow 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:

Escrow Bonds Maturing on September 1, 2024

Sinking Fund Redemption Date (September 1)	Principal Amount
2017	\$10,000
2018	10,000
2019	15,000
2020	15,000
2021	20,000
2022	20,000
2023	25,000
2024 (maturity)	25,000

Escrow Bonds Maturing on September 1, 2034

Sinking Fund Redemption Date (September 1)	Principal Amount
2025	\$30,000
2026	30,000
2027	35,000
2028	40,000
2029	40,000
2030	45,000
2031	50,000
2032	55,000
2033	60,000
2034 (maturity)	65,000

Escrow Bonds Maturing on September 1, 2044

Sinking Fund Redemption Date (September 1)	Principal Amount
2035	\$65,000
2036	70,000
2037	80,000
2038	85,000
2039	90,000
2040	95,000
2041	105,000
2042	110,000
2043	120,000
2044 (final maturity)	125,000

The amounts in the foregoing tables shall be reduced as a result of any prior partial redemption of the 2014 Bonds pursuant to an optional redemption or redemption from proceeds of Improvement Area A 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 2014 Bonds at public or private sale at such prices as the Community Facilities District in its discretion may 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 2014 Bonds were to be redeemed in accordance with the Indenture.

Notice of Redemption. The Fiscal Agent shall mail, at least 30 days but not more than 45 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 2014 Bonds appearing on the 2014 Bond register books (the "Bond Register"). So long as notice by first-class mail has been provided as set forth below, the actual receipt by the Owner of any 2014 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 2014 Bonds or the cessation of interest on the date fixed for redemption.

Such 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 2014 Bonds to be redeemed, and in the case of 2014 Bonds to be redeemed in part, the respective principal portions to be redeemed; *provided, however*, that whenever any call includes all 2014 Bonds of a maturity, the numbers of the 2014 Bonds of such maturity need not be stated; (d) state that such 2014 Bonds must be surrendered at the principal corporate trust office of the Fiscal Agent; (e) state that further interest on the 2014 Bonds will not accrue from and after the designated redemption date; (f) state the date of the issue of the 2014 Bonds as originally issued; (g) state the rate of interest borne by each 2014 Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the 2014 Bonds being redeemed as the Community Facilities District shall direct.

Conditional Notice of Optional Redemption. Any notice of optional redemption of the 2014 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 2014 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 2014 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 2014 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 2014 Bonds called for redemption has been set aside for that purpose in the Redemption Fund as to 2014 Bonds subject to optional redemption or the 2014 Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said 2014 Bonds at the place specified in the notice of redemption, said 2014 Bonds shall be redeemed and paid at the redemption price out of the applicable Redemption Fund and no interest will accrue on such 2014 Bonds or portions of 2014 Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such 2014 Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such 2014 Bonds or portions of 2014 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 2014 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 2014 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 2014 Bond for all purposes under the Indenture.

Transfers of 2014 Bonds. The transfer of any 2014 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 2014 Bond or Bonds shall be authenticated and delivered in exchange for such 2014 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 2014 Bond or Bonds so surrendered. The Fiscal Agent may make a charge for every such exchange or registration of transfer of 2014 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) 2014 Bonds for a period of 15 days next preceding the date of any selection of the 2014 Bonds for redemption, or (ii) any 2014 Bonds chosen for redemption.

Exchange of 2014 Bonds. 2014 Bonds may be exchanged at the Principal Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount of 2014 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 2014 Bond.

Book-Entry and DTC

DTC will act as securities depository for the 2014 Bonds. The 2014 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 2014 Bond certificate will be issued for each maturity of the 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX I – "Book-Entry System."

SECURITY FOR THE 2014 BONDS

General

The 2014 Bonds and all Parity Bonds (as defined below) are secured by a first pledge of all of the Net Improvement Area A Special Tax Revenues and all moneys deposited in the Bond Service Fund and in the Reserve Fund and, until disbursed as provided in the Indenture, in the Improvement Area A Special Tax Fund. Pursuant to the Act and the Indenture, the Community Facilities District will annually levy the Improvement Area A Special Taxes in an amount required for the payment of principal of, and interest on, any outstanding 2014 Bonds becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund, as well as (i) credit or liquidity fees on the 2014 Bonds, (ii) facilities construction, (iii) escrow costs, (iv) lease payments for facilities, (v) other payments permitted by law and (vi) an amount estimated to be sufficient to pay the Administrative Expenses during such year. The Net Improvement Area A 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 2014 Bonds as provided in the Indenture and in the Act until all of the 2014 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, the Improvement Fund and the Rebate Fund are not pledged to the repayment of the 2014 Bonds. The Infrastructure Improvements constructed and acquired with the proceeds of the 2014 Bonds are not in any way pledged to pay the debt service on the 2014 Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the 2014 Bonds are not pledged to pay the debt service on the 2014 Bonds.

Improvement Area A 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 A Special Taxes, including without limitation, the enforcement of delinquent Improvement Area A Special Taxes. The Improvement Area A Rate and Method provides that the Improvement Area A 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 A Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

Because the Improvement Area A Special Tax levy is limited to the maximum Improvement Area A Special Tax rates set forth in the Improvement Area A Rate and Method, no assurance can be given that, in the event of Improvement Area A Special Tax delinquencies, the receipt of Improvement Area A Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the 2014 Bonds. The Improvement Area A Special Taxes levied pursuant to the Improvement Area A Rate and Method are not available to pay principal of or interest on the bonds issued with respect to Improvement Area B, Improvement Area C or Improvement Area D 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 2014 Bonds.

Although the Improvement Area A 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 A Special Tax or that they will pay such tax even if financially able to do so. See “BONDOWNERS’ RISKS” herein.

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 2014 BONDS. OTHER THAN THE IMPROVEMENT AREA A SPECIAL TAXES, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2014 BONDS. THE 2014 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 A SPECIAL TAXES MORE FULLY DESCRIBED HEREIN.

Rates and Methods

General. In 2012, pursuant to the request of landowners, the School District established the Community Facilities District with respect to approximately 362 gross acres of land within the boundaries of the School District, authorized the levy of special taxes therein pursuant to the Community Facilities District Rate and Method, and authorized the issuance of bonded indebtedness to finance School Facilities. Approximately 1,164 units are proposed within the Community Facilities District.

In 2012, Black Mountain Ranch LLC requested that the School District institute proceedings pursuant to the Act to (a) create a new community facilities district or designate improvement areas in the Community Facilities District and (b) authorize the Community Facilities District to issue bonded indebtedness and to levy additional special taxes to fund, in addition to those School Facilities authorized to be funded by the Community Facilities District, certain other public improvements, i.e., the Infrastructure Improvements. The proceedings to designate the Improvement Areas and authorize this levy of additional special taxes and the issuance of additional bonds were completed on December 17,

2012. See “Improvement Area A Rate and Method” below. As indicated above, Improvement Area A relates to approximately 209 lots under development within the boundaries of Improvement Area A of the Community Facilities District. As of July 3, 2014, approximately 78 of the 209 homes which will be subject to the Improvement Area A Special Taxes had been completed and closed escrow.

Black Mountain Ranch LLC participated in the proceedings for formation of the Community Facilities District and for formation of Improvement Area A. Pursuant to such proceedings, the Community Facilities District Special Tax may be levied and collected within all of the Community Facilities District to finance School Facilities according to the Community Facilities District Rate and Method, a copy of which is set forth in APPENDIX B – “Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 15 of Poway Unified School District and Rate and Method of Apportionment for Community Facilities District No. 15 of Poway Unified School District.”

The qualified electors of Improvement Area A approved the rate and method of apportionment of special taxes for Improvement Area A on December 17, 2012.

Capitalized terms used in the following paragraphs but not defined herein have the meanings given them in the Improvement Area A Rate and Method.

Improvement Area A Rate and Method. The Improvement Area A Rate and Method provides the means by which the Board of Education may annually levy the Improvement Area A Special Taxes within Improvement Area A up to the applicable Maximum Special Tax to pay for Infrastructure Improvements. The 2014 Bonds, when issued, will fund a portion of the costs of the Infrastructure Improvements and will be secured by any annual Improvement Area A Special Taxes levied pursuant to the Improvement Area A Rate and Method. The Improvement Area A Rate and Method provides that the Annual Special Tax shall be levied for a term of 33 Fiscal Years after the issuance of the Improvement Area A bonds, but in no event later than Fiscal Year 2055-56. Upon issuance of the 2014 Bonds, the terms of the Improvement Area A Rate and Method allow the levy of the Improvement Area A Special Tax through Fiscal Year 2046-47. A copy of the Improvement Area A Rate and Method is included in Appendix B hereto.

Minimum Annual Special Tax Requirement. Annually, at the time of levying the Improvement Area A Special Tax for Improvement Area A, the Board shall levy Annual Special Taxes. The Minimum Annual Special Tax Requirement is defined as the amount required in any fiscal year to pay the following:

- (i) the debt service or the periodic costs on all outstanding Bonds (as defined in the Improvement Area A Rate and Method);
- (ii) the Administrative Expenses of Improvement Area A;
- (iii) the costs associated with the release of funds from an escrow account(s) established in association with the Bonds;
- (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the Bonds; less
- (v) any amount(s) available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document.

In arriving at the Minimum Annual Special Tax Requirement, the Board shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year.

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

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

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

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

(iv) "Exempt Property" is defined to include the following:

(a) Assessor's Parcels owned by the State, federal or other local governments;

(b) 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;

(c) Assessor's Parcels owned by a homeowner's association;

(d) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement;

(e) Assessor's Parcels developed or expected to be developed exclusively for non-residential use, including any use directly servicing any non-residential property, such as parking, as reasonably determined by the Board, and

(f) Any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage to less than 56.83 Acres.

Maximum Special Tax. The Maximum Special Tax is defined in the Improvement Area A Rate and Method as the maximum Special Tax determined in accordance with Section C of the Improvement Area A Rate and Method, that can be levied by Improvement Area A of the Community Facilities District in any Fiscal Year on any Assessor's Parcel. The Maximum Special Tax for each Assessor's Parcel classified as Developed Property for any Fiscal Year shall be the amount determined by the greater of (a) the application of the Assigned Annual Special Tax or (b) the application of the Backup Annual Special Tax for a given Final Subdivision Map. For Improvement Area A, the Assigned Annual Special Tax is greater than the amount determined by application of the Backup Annual Special Tax.

In Fiscal Year 2014-15, the average Assigned Annual Special Tax is \$2,869.41 for Detached Units and \$2,057.80 for Attached Units. In Fiscal Year 2014-15, the Assigned Annual Special Tax is \$10,251.96 per acre for Undeveloped Property. No amount is levied on Undeveloped Property in Fiscal

Year 2014-15. Each July 1, the Assigned Annual Special Tax applicable to an Assessor's Parcel is increased by 2.00% of the amount in effect in the prior Fiscal Year. See APPENDIX B – "Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 15 of Poway Unified School District and Rate and Method of Apportionment for Community Facilities District No. 15 of Poway Unified School District - Table 1" herein for a listing of the Assigned Annual Special Tax rates.

Method of Apportionment. Each Fiscal Year the Board shall levy Annual Special Taxes as follows:

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

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

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

Prepayment of Annual Improvement Area A Special Taxes. Subsequent to the issuance of the 2014 Bonds, the Prepayment Amount for each applicable Assessor's Parcel is calculated according to a formula which takes into account the present value of Special Taxes, a reserve fund credit and the prepayment of Administrative Fees (as defined in the Improvement Area A Rate and Method, all as specified in Section G of each Rate and Method set forth in APPENDIX B – "Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 15 of Poway Unified School District and Rate and Method of Apportionment for Community Facilities District No. 15 of Poway Unified School District" herein. As of July 15, 2014, there have been no prepayments of Special Taxes with respect to parcels within Improvement Area A.

Community Facilities District Rate and Method. The Community Facilities District Rate and Method provides the means by which the Board of Education may annually levy the Community Facilities District Special Taxes within the Community Facilities District at the Assigned Annual Special Tax to pay for School Facilities. The Community Facilities District Rate and Method provides that the Annual Special Tax shall be levied for a term of 33 Fiscal Years after the last series of Bonds (as defined in the Community Facilities District Rate and Method) have been issued, provided that Annual Special Taxes shall not be levied after Fiscal Year 2055-56. A copy of the Community Facilities District Rate and Method is included in Appendix B hereto.

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

(i) "Developed Property" means all Assessor's Parcels of Taxable Property for which Building Permits were issued on or before May 1 of the prior Fiscal Year, provided that such Assessor's

Parcels were created on or before January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Board.

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

(iii) "Taxable Property" means all Assessor's Parcels within the Community Facilities District which are not exempt from the special tax pursuant to law or as Exempt Property (as defined below) pursuant to the Community Facilities District Rate and Method.

(iv) "Exempt Property" is defined to include the following:

- (a) Assessor's Parcels owned by the State, federal or other local governments;
- (b) 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;
- (c) Assessor's Parcels owned by a homeowner's association;
- (d) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easements; and
- (e) Any other Assessor's Parcels at the reasonable discretion of the Board.

Maximum Special Tax. The Maximum Special Tax is defined in the Community Facilities District Rate and Method as follows:

Developed Property: The Maximum Special Tax for each Assessor's Parcel classified as Developed Property for any Fiscal Year shall be the amount determined by the sum of (i) any portion of the One-Time Special Tax not collected and (ii) the application of the Assigned Annual Special Tax. The One-Time Special Tax is the single payment Special Tax which is levied on each Assessor's parcel of Undeveloped Property, determined pursuant to Section D of the Community Facilities District Rate and Method relating to affordable units, senior citizen units and commercial/industrial property.

Method of Apportionment. Each Fiscal Year the Board shall levy the Annual Special Tax on each Assessor's Parcel of Developed Property at the Maximum Special Tax rate applicable to such Assessor's Parcel.

Prepayment of Annual Special Taxes. The Annual Community Facilities District 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 applicable Assessor's Parcel after the issuance of bonds is calculated based on the present value of Special Taxes, a Reserve Fund credit and prepayment of Administrative Fees, all as specified in Section G of the Community Facilities District Rate and Method as set forth in APPENDIX B – "Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 15 of Poway Unified School District and Rate and Method of Apportionment for Community Facilities District No. 15 of Poway Unified School District."

Improvement Area A Special Tax Levy

\$448,407.44 of Improvement Area A Special Taxes are estimated to be levied on 169 parcels within Improvement Area A of the Community Facilities District for Fiscal Year 2014-15 and \$560,729.16 of Improvement Area A Special Taxes are estimated to be levied on all 209 parcels within Improvement Area A of the Community Facilities District for Fiscal Year 2015-16. All of the foregoing Improvement Area A Special Taxes in Fiscal Year 2014-15 will be levied on Developed Property as defined in the Improvement Area A Rate and Method. In Fiscal Year 2014-15, property currently owned by SPIC Del Sur, LLC is estimated to be responsible for approximately \$300,180.58 of the estimated Improvement Area A Special Taxes, which represents approximately 66.94% of the estimated total Improvement Area A Special Tax levy for Fiscal Year 2014-15 and in Fiscal Year 2015-16, assuming no additional homes sales, property currently owned by SPIC Del Sur, LLC is estimated to be responsible for approximately \$412,597.10 of the estimated Improvement Area A Special Taxes, which represents approximately 73.58% of the estimated total Improvement Area A Special Tax levy for Fiscal Year 2015-16. The actual amount, if any, which SPIC Del Sur, LLC is responsible for will decline to the extent that Standard Pacific completes and sells homes. The timing of sales cannot be predicted.

The Tables 2A and 2B below summarize the projected Fiscal Year 2014-15 and Fiscal Year 2015-16 Improvement Area A Special Tax levy to be made in accordance with the Improvement Area A Rate and Method:

Table 2A
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A

Fiscal Year 2014-15 Special Tax Levy

Improvement Area A Special Tax Class	Unit Type	Building Square Footage	Fiscal Year 2014-15 Improvement Area A Special Tax Rate	Units Levied⁽¹⁾	Improvement Area A Special Taxes Levied	Fiscal Year 2014-15 Levy as Percent of Total
1	Detached	< 1,550	\$1,986.50	0	\$0.00	0.00%
2	Detached	1,550 – 1,750	2,092.32	0	0.00	0.00
3	Detached	1,751 – 1,950	2,174.10	9	19,566.90	4.36
4	Detached	1,951 – 2,150	2,419.40	0	0.00	0.00
5	Detached	2,151 – 2,350	2,525.22	7	17,676.54	3.94
6	Detached	2,351 – 2,550	2,708.00	26	70,408.00	15.70
7	Detached	2,551 – 2,750	2,929.26	30	87,877.80	19.60
8	Detached	2,751 – 2,950	3,035.08	37	112,297.96	25.04
9	Detached	2,951 – 3,150	3,198.62	15	47,979.30	10.70
10	Detached	3,151 – 3,350	3,318.88	0	0.00	0.00
11	Detached	3,351 – 3,550	3,381.40	0	0.00	0.00
12	Detached	3,551 – 3,750	3,496.84	0	0.00	0.00
13	Detached	3,751 – 3,950	3,588.24	0	0.00	0.00
14	Detached	3,951 – 4,150	3,742.16	0	0.00	0.00
15	Detached	> 4,150	3,896.08	0	0.00	0.00
16	Attached	< 1,200	1,645.00	0	0.00	0.00
17	Attached	1,201 – 1,350	1,770.04	0	0.00	0.00
18	Attached	1,351 – 1,500	1,861.44	0	0.00	0.00
19	Attached	1,501 – 1,650	1,986.50	27	53,635.50	11.96
20	Attached	1,651 – 1,800	2,089.92	2	4,179.84	0.93
21	Attached	> 1,800	2,174.10	16	34,785.60	7.76
22	Affordable	NA	0.00	0	0.00	0.00
23	Senior Citizen	≤ 1,400	1,995.02	0	0.00	0.00
24	Senior Citizen	1,401 - 1,800	2,195.76	0	0.00	0.00
25	Senior Citizen	1,801 - 2,200	2,562.96	0	0.00	0.00
26	Senior Citizen	> 2,200	2,984.04	0	0.00	0.00
Total⁽²⁾				169	\$448,407.44	100.00%

⁽¹⁾ As of May 1, 2014.

⁽²⁾ Totals may not add due to rounding.

Source: Dolinka Group, LLC.

Table 2B
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A

Estimated Fiscal Year 2015-16 Special Tax Levy

Improvement Area A Special Tax Class	Unit Type	Building Square Footage	Estimated Fiscal Year 2015-16 Improvement Area A Special Tax Rate	Units Levied⁽²⁾	Estimated Improvement Area A Special Taxes Levied	Estimated Fiscal Year 2015-16 Levy as Percent of Total
1	Detached	< 1,550	\$2,026.23	0	\$0.00	0.00%
2	Detached	1,550 – 1,750	2,134.16	0	0.00	0.00
3	Detached	1,751 – 1,950	2,217.58	21	46,569.18	8.31
4	Detached	1,951 – 2,150	2,467.78	0	0.00	0.00
5	Detached	2,151 – 2,350	2,575.72	18	46,362.96	8.27
6	Detached	2,351 – 2,550	2,762.16	39	107,724.24	19.21
7	Detached	2,551 – 2,750	2,987.86	32	95,611.52	17.05
8	Detached	2,751 – 2,950	3,095.78	37	114,543.86	20.43
9	Detached	2,951 – 3,150	3,262.60	17	55,462.20	9.89
10	Detached	3,151 – 3,350	3,385.24	0	0.00	0.00
11	Detached	3,351 – 3,550	3,449.02	0	0.00	0.00
12	Detached	3,551 – 3,750	3,566.78	0	0.00	0.00
13	Detached	3,751 – 3,950	3,660.00	0	0.00	0.00
14	Detached	3,951 – 4,150	3,817.00	0	0.00	0.00
15	Attached	> 4,150	3,974.00	0	0.00	0.00
16	Attached	< 1,200	1,677.90	0	0.00	0.00
17	Attached	1,201 – 1,350	1,805.44	0	0.00	0.00
18	Attached	1,351 – 1,500	1,898.66	0	0.00	0.00
19	Attached	1,501 – 1,650	2,026.24	27	54,708.48	9.76
20	Attached	1,651 – 1,800	2,131.72	2	4,263.44	0.76
21	Affordable	> 1,800	2,217.58	16	35,481.28	6.33
22	Senior Citizen	NA	0.00	0	0.00	0.00
23	Senior Citizen	≤ 1,400	2,034.92	0	0.00	0.00
24	Senior Citizen	1,401 - 1,800	2,239.68	0	0.00	0.00
25	Senior Citizen	1,801 - 2,200	2,614.22	0	0.00	0.00
26	Detached	> 2,200	3,043.72	0	0.00	0.00
Total⁽¹⁾				209	\$560,729.16	100.00%

(1) Totals may not add due to rounding.

(2) Based on projections provided by SPIC Del Sur, LLC.

Source: Dolinka Group, LLC.

As indicated above, under the Improvement Area A Rate and Method, the Community Facilities District levies on Developed Property in an amount equal to the Improvement Area A Assigned Special Tax. A portion of the Improvement Area A Special Tax Requirement may be utilized for acquisition and/or construction of School Facilities. In the event the Community Facilities District were to levy Improvement Area A Special Taxes on Developed Property at less than the Assigned Special Tax, pursuant to Section 53321 of the Act and a resolution adopted by the Community Facilities District, under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within Improvement Area A by more than 10%. For such purposes, a parcel will be considered used for private

residential purposes not later than the date on which an occupancy permit for private residential use is issued.

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 A 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 A 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 A Special Tax is delinquent in the payment of the Improvement Area A Special Taxes in the aggregate amount of \$7,500 or more or (ii) any single parcel or parcels under common ownership subject to the Improvement Area A Special Taxes are delinquent in the payment of the Improvement Area A Special Taxes in the aggregate of \$15,000 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 A Special Taxes remain delinquent.

Aggregate Delinquencies. If the Community Facilities District determines that it has collected less than 95% of the Improvement Area A 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 A Special Taxes remain delinquent if the aggregate amount collected remains less than 95% of the Improvement Area A 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 2014 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 A 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 A 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 A 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 A 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 2014 Bonds and to replenish the Reserve Fund. There is, however, no assurance that the maximum Improvement Area A Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the 2014 Bonds by the Indenture. The levy of Special Taxes is subject to the maximum annual amount of Improvement Area A Special Taxes authorized by the qualified voters of Improvement Area A and the limitation imposed by Section 53321 of the Act as applied to Improvement Area A. See "SECURITY FOR THE 2014 BONDS – Improvement Area A Special Tax Levy."

Improvement Area A Special Tax Fund

Pursuant to the Indenture, the Improvement Area A Special Tax Revenues received by the Community Facilities District, excluding only Improvement Area A Special Tax Revenues representing Delinquency Proceeds required to be transferred to the Letter of Credit Fund and Improvement Area A Special Tax Revenues representing Prepayments, will be deposited in the Improvement Area A Special Tax Fund, which will be held by the Fiscal Agent on behalf of the Community Facilities District. Improvement Area A Special Tax Revenues representing Prepayments shall be transferred to the Interest Account of the Bond Service Fund and the Redemption Fund and utilized to pay the interest and premium, if any, on and the principal of 2014 Bonds to be redeemed. Moneys in the Improvement Area A 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 2014 Bonds. Pending disbursement, moneys in the Improvement Area A Special Tax Fund will be subject to a lien in favor of the Bondowners of the 2014 Bonds as established under the Indenture.

Disbursements. Moneys in the Improvement Area A 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 2014 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 below); (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 in clauses (i) through (v) above moneys remain on deposit in the Improvement Area A Special Tax Fund, such moneys shall remain on deposit in the Improvement Area A Special Tax Fund and shall be subsequently deposited or transferred pursuant to the provisions of (i) through (v) above, provided, however, that if at any time and from time to time the Community Facilities District determines, pursuant to the Second Supplement to Mitigation Agreement, that all or any portion of such moneys constitute the proceeds of Surplus Special Taxes (as

defined in the Indenture), the Community Facilities District may, by written instructions, direct the Fiscal Agent to transfer that amount of such moneys constituting Surplus Special Taxes to the School District to be utilized pursuant to the provisions of the Second Supplement to Mitigation Agreement to finance the acquisition or construction of Supplemental School Facilities or School Facilities.

Investment. Moneys in the Improvement Area A 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 A 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 2014 Bonds the principal, interest and any premium then due and payable on the 2014 Bonds, including any amounts due on the 2014 Bonds by reason of the sinking payments or a redemption of the 2014 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 2014 Bonds, certain proceeds of the 2014 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 2014 Bonds, (ii) 125% of the then average annual debt service on the 2014 Bonds or (iii) 10% of the original issue price of the Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1).

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 2014 Bonds when due, in the event that moneys in the Bond Service Fund are insufficient therefor, or (ii) defeasance of the 2014 Bonds. In connection with any optional redemption or a special mandatory redemption or a defeasance of the 2014 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 2014 Bonds.

If Improvement Area A Special Taxes are prepaid and a portion of 2014 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 2014 Bonds or (ii) 10% of the amount of 2014 Bonds which will be redeemed will be applied to the redemption of such 2014 Bonds.

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

See APPENDIX E – “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 A Special Taxes from the Community Facilities District from the Improvement Area A 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 2014 Bonds and will not be available for the payment of debt service on the 2014 Bonds.

Improvement Fund

The Fiscal Agent will deposit a portion of the proceeds of the 2014 Bonds in the Improvement Fund. Moneys in the Improvement Fund will be disbursed to pay for Infrastructure Improvements pursuant to a requisition of the Community Facilities District Improvement Area A.

Pursuant to the Indenture, moneys in the Improvement Fund will not be construed as a trust fund held for the benefit of the Owners of the 2014 Bonds and will not be available for the payment of debt service on the 2014 Bonds.

Escrow Fund

The Fiscal Agent will deposit a portion of the proceeds of the 2014 Bonds in the Escrow Fund, including the Escrow Bonds Capitalized Interest Account therein. Moneys in the Escrow Fund may be released from the Escrow Fund and deposited into the Improvement Fund to pay for Infrastructure Improvements on any date after the delivery date upon which the Fiscal Agent shall have received a written certificate of the Community Facilities District (1) specifying (a) the amount to be transferred from each of the Escrow Bonds Capitalized Interest Account and the Escrow Fund itself and (b) the amount to be deposited into each of the Improvement Area A Improvement Fund and the Reserve Fund and (2) certifying that following such transfer the aggregate amount of the Assigned Annual Special Tax that may be levied on each Assessor’s Parcel of Developed Property in each Fiscal Year following such transfer shall not be less than (a) the Administrative Expense Requirement for each such Fiscal Year plus (b) 110% of the scheduled debt service on the Outstanding Bonds, excluding the remaining Escrow Bonds, to be payable from such Assigned Annual Special Taxes.

If the Fiscal Agent shall have received such a written certificate as described in the preceding paragraph, the Fiscal Agent shall transfer the amounts in the Escrow Fund, including the Escrow Bonds Capitalized Interest Account, as follows:

- (a) Into the Reserve Fund, the portion of the amount in the Escrow Fund required to maintain the Reserve Fund at the Reserve Requirement (to the extent that the transfer of the moneys from the Escrow Fund increases the amount required to be on deposit in the Reserve Fund).
- (b) Into the Improvement Area A Improvement Fund, the amount remaining in the Escrow Fund, including the Escrow Bonds Capitalized Interest Account, following the transfer to the Reserve Fund pursuant to (a) above.

Such written certificate shall specify the amounts to be deposited in the Improvement Area A Improvement Fund and the Reserve Fund, respectively.

- (c) If any moneys remain on deposit in the Escrow Fund on January 1, 2016, the Community Facilities District shall determine if any such moneys are eligible to be released from the Escrow Fund as described above. If any such moneys are eligible to be so released, the Community Facilities District shall cause a Certificate as required above to be delivered to the Fiscal Agent directing the Fiscal Agent to transfer such eligible moneys from the Escrow Fund prior to January 15, 2016. All moneys on deposit in the Escrow Fund, including the Escrow Bonds Capitalized Interest Account thereof, on January 15, 2016, shall be transferred to the Redemption Fund and used to redeem Escrow Bonds pursuant to provisions of the Indenture on March 1, 2016.
- (d) When all moneys in the Escrow Bonds Capitalized Interest Account have been released and transferred from such account, such account shall be closed. When all moneys in the Escrow Fund have been released and transferred from such fund, such fund shall be closed.

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” or “AAm-G” by S&P, or better (including those of the Fiscal Agent or its affiliates). See APPENDIX E – “Summary of Certain Provisions of the Indenture” for a definition of “Permitted Investments.”

Letters of Credit/Cash Deposit

As a condition precedent to issuance of the 2014 Bonds, SPIC Del Sur, LLC shall provide a Letter of Credit in the applicable Stated Amount therefor (having the Fiscal Agent as beneficiary) or a cash deposit in lieu thereof. The Letter of Credit and/or cash deposit shall secure payment of Improvement Area A Special Taxes levied against the property owned by SPIC Del Sur, LLC within Improvement Area A. The Stated Amount is the estimated amount of Improvement Area A Special Tax to be levied in the next Fiscal Year with respect to the property owned by SPIC Del Sur, LLC.

The Letter of Credit, or a Substitute Letter of Credit issued with respect thereto, shall be in effect in each Fiscal Year that Special Taxes levied on individual homeowners is less than 60% of the Special Taxes levied within Improvement Area A.

In the event Special Taxes levied on individual homeowners is less than 60% of the Special Taxes levied within Improvement Area A as of each June 1, then the Community Facilities District shall cause SPIC Del Sur, LLC to provide to the Fiscal Agent, no later than the following June 15, (a) a Letter of Credit in the then-Stated Amount, (b) an irrevocable written commitment of a Letter of Credit Bank to

provide a Letter of Credit in the then-Stated Amount or to extend the existing Letter of Credit in an amount equal to the then-Stated Amount, effective the next succeeding July 1 or (c) a cash deposit in lieu thereof.

In the event the Fiscal Agent does not receive (a) a Letter of Credit, (b) a Substitute Letter of Credit or (c) a cash deposit in lieu of the foregoing by June 15 of each year (assuming the Letter of Credit is required to be in effect during the next succeeding Fiscal Year), the Fiscal Agent shall, upon the written direction of an Authorized Officer, immediately, with no further authorization or instruction, draw upon the applicable Letter of Credit in the full Stated Amount. The Fiscal Agent shall deposit the proceeds of such draw into the Letter of Credit Fund for use as described below.

Deposits into the Letter of Credit Fund; Transfers from the Letter of Credit Fund

Draws Prior to an Interest Payment Date. Ten (10) Business Days before each Interest Payment Date, the Fiscal Agent shall determine whether amounts on deposit in the Bond Service Fund for that Interest Payment Date will be sufficient to pay principal of and interest on the 2014 Bonds that will be due and payable on such Interest Payment Date and notify the Community Facilities District of any deficiency. If amounts in the Bond Service Fund will be insufficient to pay principal of and interest on the 2014 Bonds and such insufficiency is attributable to the delinquency in the payment of Improvement Area A Special Taxes levied on properties in Improvement Area A owned by SPIC Del Sur, LLC or an affiliate pursuant to the Second Supplement to Mitigation Agreement, the Fiscal Agent shall upon the receipt of written direction of an Authorized Representative (prior to any withdrawals from the Reserve Fund permitted by the Indenture) draw upon the Letter of Credit or withdraw money from the cash deposit; provided, however, that the amount of such draw or withdrawal (as set forth in said written direction of the Authorized Representative) shall be no greater than the delinquent Improvement Area A Special Taxes levied on such properties.

The Fiscal Agent shall deposit the proceeds of any such draw upon a Letter of Credit into the Letter of Credit Fund. On the day preceding the Interest Payment Date, and prior to any transfers from the Reserve Fund, the Fiscal Agent shall transfer the amount of such draw on the Letter of Credit or an equivalent amount from any cash deposit from the Letter of Credit Fund to the Bond Service Fund.

In the event of a draw on a Letter of Credit or transfer of funds from a cash deposit, the Fiscal Agent, shall, upon receipt of Delinquency Proceeds representing the Improvement Area A Special Taxes the delinquency of which necessitated such draw on such Letter of Credit or transfer of funds from a cash deposit, reimburse (a) the Letter of Credit provider from such Delinquency Proceeds in an amount not to exceed such draw on such Letter of Credit or (b) deposit an amount not to exceed such transfer from such cash deposit in the Letter of Credit Fund to replenish such cash deposit.

Draws Prior to Termination of the Letter of Credit. If a Letter of Credit is not renewed, or a Substitute Letter of Credit or cash deposit is not provided within fifteen (15) days prior to the stated expiration date of such Letter of Credit and the requirements for the release or termination of such Letter of Credit have not then been met, the Fiscal Agent shall draw on the full amount of such Letter of Credit without instruction from the Community Facilities District. In the event the Fiscal Agent makes such a draw upon a Letter of Credit, the Fiscal Agent shall deposit the proceeds of such draw into the Letter of Credit Fund and pending any transfer to the Bond Service Fund for the purposes described in “Draws Prior to an Interest Payment Date” above, the proceeds of a cash deposit and then proceeds of a draw on a Letter of Credit pursuant to this paragraph shall be invested and reinvested by the Fiscal Agent in money market funds unless SPIC Del Sur, LLC instructs that such proceeds or cash deposit be held uninvested. At no time shall the Community Facilities District direct that the proceeds of a draw on any Letter of Credit held in a Letter of Credit Fund be invested by the Fiscal Agent at a yield exceeding the Yield on the 2014 Bonds. Investment earnings and profits from such investments shall be retained in the Letter of

Credit Fund until such time as the Letter of Credit Fund is no longer required and at such time all interest earnings shall be paid over to SPIC Del Sur, LLC.

Final Release of Moneys from the Letter of Credit Fund. If a Letter of Credit may be terminated pursuant to the terms of the Indenture, the Community Facilities District shall provide written notice of such termination to the Fiscal Agent with instructions directing the Fiscal Agent to return the Letter of Credit or cash deposit to the applicable party.

Actions by the Community Facilities District. In the event a Letter of Credit Bank wrongfully refuses to honor any drawing made on its Letter of Credit, the Community Facilities District, on behalf of the owners of the applicable 2014 Bonds, shall immediately bring an action and pursue any remedy available at law or in equity for the purpose of compelling such Letter of Credit Bank to honor such drawing and to enforce the provisions of such Letter of Credit.

Compliance with Letter of Credit Requirements

SPIC Del Sur, LLC proposes to satisfy the letter of credit/cash deposit requirement through a Letter of Credit provided by Bank of the West in the stated amount of \$412,597.10. The Letter of Credit expires on June 30, 2015.

Payment of Rebate Obligation

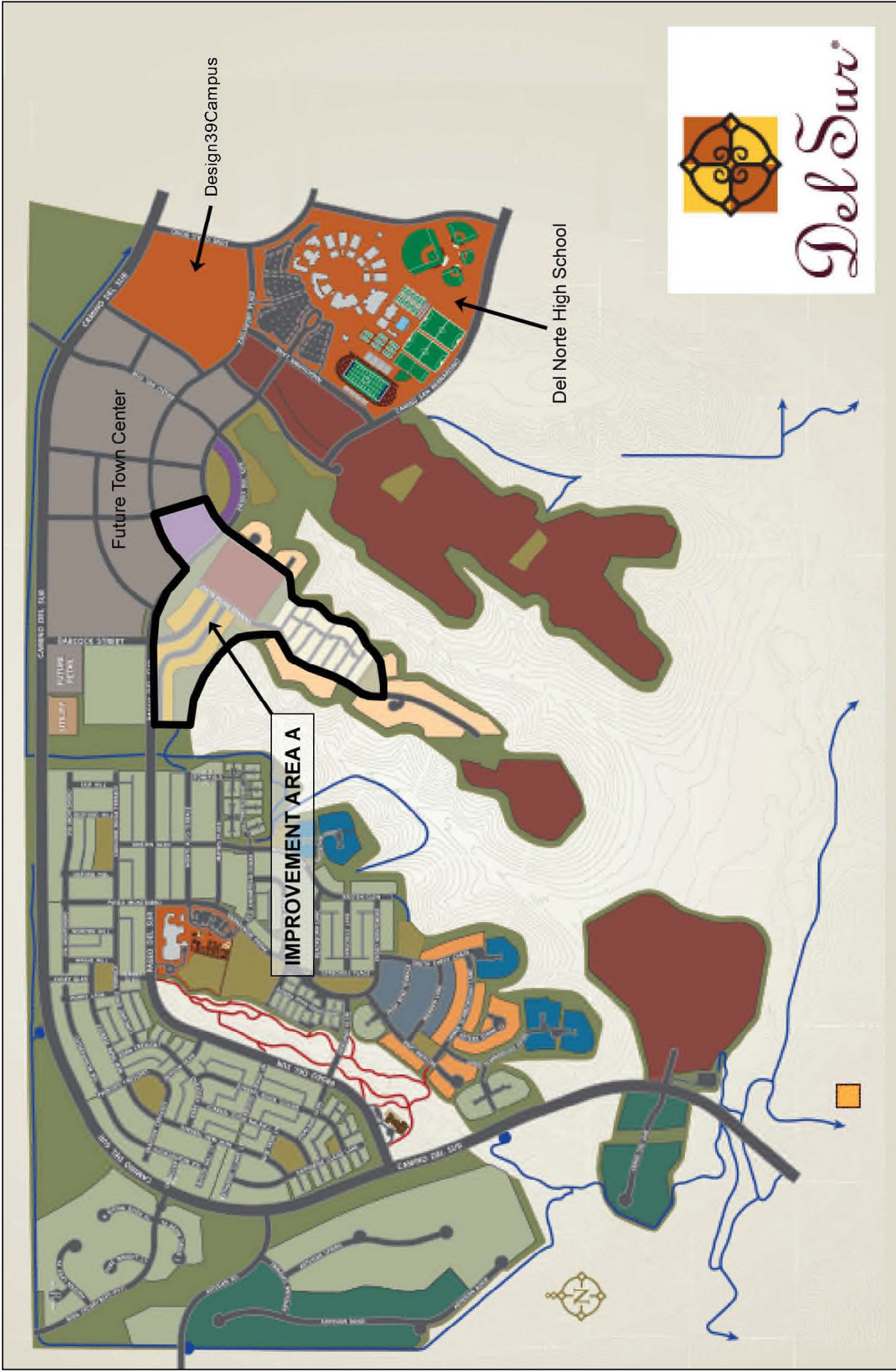
The Community Facilities District is required to calculate excess investment earnings in accordance with the requirements set forth in the Indenture. If necessary, the Community Facilities District may use amounts in the Improvement Area A Special Tax Fund, or amounts on deposit in the Administrative Expense Fund and other funds available to the Community Facilities District (except amounts required to pay debt service on the 2014 Bonds) to satisfy rebate obligations.

Parity Bonds for Refunding Purposes Only

Bonds issued on a parity with the 2014 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. All \$10,000,000 of the authorization with respect to Improvement Area A is being issued at this time. See APPENDIX E – “Summary of Certain Provisions of the Indenture.”

Improvement Area A 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 A Special Taxes are not included in the County’s Teeter Program.



COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA A

General Information

The Community Facilities District is located at the northerly end of the City of San Diego and west of Interstate 15, eight miles from the coast and 20 miles north of downtown San Diego. The boundaries of Improvement Area A consist of a portion of the property encompassed within the boundaries of the Community Facilities District. The Community Facilities District was formed December 17, 2012, and is contiguous and is generally located south of Camino Del Sur and west of 4S Ranch Parkway. The area is bounded on the north by a residential area that also includes much undeveloped open-space land, to the east by the community of 4S Ranch, to the south by a large area of hilly open space of Black Mountain Ranch and the community of Santaluz and to the west by the Santa Fe Hills area within unincorporated San Diego County, which is a semi-rural residential area with fairly sparse development and much undeveloped land. The Community Facilities District is the development referred to as Del Sur East and is expected to contain 1,164 homes upon build-out. Improvement Area A is expected to have approximately 209 for-sale residential homes upon build-out with a mixture of approximately 164 detached units and 45 attached units.

As of July 3, 2014, 78 were complete homes with closed sales, 25 were completed-unsold homes (including 15 model homes and 10 production homes owned by SPIC Del Sur, LLC), 70 homes were under construction and 36 lots were vacant.

Drainage is and will be within master-planned facilities constructed throughout the community and the area drainage is generally to the south/southwest. None of the developable areas in Improvement Area A are within a 100-year flood plain.

Utility services for parcels in the Community Facilities District are provided by San Diego Gas & Electric (gas and electricity), the City of San Diego (water and sewage), Time Warner (cable) and AT&T Telephone (telephone). The City of San Diego provides refuse service for detached homes and privately contracted companies provide refuse service for attached homes.

Authority for Issuance

The 2014 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 A and authorizing issuance of the 2014 Bonds:

Resolution of Intention: On November 13, 2012, the Board of Education adopted Resolution No. 18-2013 stating its intention to establish the Community Facilities District and to designate Improvement Area A, Improvement Area B, Improvement Area C and Improvement Area D within and to authorize the levy of separate special taxes within pursuant to a separate Rate and Method of Apportionment of Special Tax for the Community Facilities District and for each such Improvement Area. The Improvement Area A Rate and Method will finance Infrastructure Improvements. See “INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2014 BONDS.”

Resolution of Formation: Immediately following a noticed public hearing on December 17, 2012, the Board of Education adopted Resolution No. 19-2013 (the “Resolution of Formation”), which approved the financing of the Infrastructure Improvements and approved the original rate and method of apportionment applicable to each Improvement Area and authorized the levy of the applicable Special

Taxes within each such Improvement Area pursuant to the applicable rate and method of appointment, subject to the approval of such levy by the qualified voters of each such Improvement Area.

Landowner Election and Declaration of Results: On December 17, 2012, an election was held within the Community Facilities District and each of the Improvement Areas, in which the landowners eligible to vote, being the qualified electors, approved the ballot proposition authorizing the issuance of up to \$10,000,000 in bonds with respect to Improvement Area A to finance the acquisition and construction of the Infrastructure Improvements and authorizing the issuance of up to \$55,000,000 in bonds with respect to the Community Facilities District to finance the acquisition and construction of the eligible school facilities. The qualified electors within each Improvement Area also approved the levy of a special tax within each such Improvement Area in accordance with the applicable rate and method and the establishment of an appropriations limit for the Improvement Areas.

On December 17, 2012, the Board of Education adopted Resolution No. 32-2013 pursuant to which the Board of Education approved the canvass of the votes.

Improvement Area A Special Tax Lien and Levy: Notice of Special Tax Lien for Improvement Area A was recorded in the real property records of San Diego County on December 27, 2012, as Document No. 2012-0818722 (the "Notice of Special Tax Lien").

Ordinance Levying Improvement Area A Special Taxes: On January 22, 2013, the Board of Education adopted an Ordinance No. 2013-1 levying the Improvement Area A Special Tax within Improvement Area A.

Resolution Authorizing Issuance of the 2014 Bonds: On June 23, 2014, the Board of Education adopted Resolution No. 118-2014, approving issuance of the 2014 Bonds.

Improvement Area A Special Tax Collections

The Improvement Area A Special Tax on Developed Property authorized for the 2013-14 Fiscal Year in Improvement Area A was \$8,606.02, which was levied against 3 parcels. All of such parcels had paid the second installment of Improvement Area A Special Taxes as of May 1, 2014. For the Fiscal Year 2013-14, no Improvement Area A Special Taxes were levied on Undeveloped Property. The Improvement Area A Special Tax on Developed Property authorized for the 2014-15 Fiscal Year in Improvement Area A is \$448,407.44 levied against 169 parcels.

Table 3 below sets forth the Improvement Area A Special Tax collections for Fiscal Year 2013-14, all of which was levied on Developed Property.

**Table 3
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A**

**Improvement Area A Special Tax Collections⁽¹⁾
(As of June 30 of the applicable Fiscal Year)**

Fiscal Year Ending June 30	Aggregate Improvement Area A Special Tax	Subject Fiscal Year			May 1, 2014				
		Total Improvement Area A Special Taxes Collected	Parcels Levied	Parcels Delinq.	Fiscal Year Amount Delinq.	Fiscal Year Delinq. Rate	Remaining Parcels Delinq.	Remaining Amount Delinq.	Remaining Delinq. Rate
2014	\$8,606.02	\$8,606.02	3	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 May 1, 2014.

Source: Dolinka Group, LLC.

Property Ownership

Based on the Appraisal Report, as of July 3, 2014, of the 209 projected homes which would be subject to the Improvement Area A Special Taxes, there were approximately 103 homes completed (78 completed-sold homes and 25 completed-unsold homes, including 15 model homes and 10 production homes). In addition, there were 70 homes under construction and 36 vacant lots for which no building permits had been issued as of July 3, 2014. See Table 5B for the Special Tax liability of the 160 parcels owned by SPIC Del Sur, LLC as of April 1, 2014, in Fiscal Year 2015-16.

Market Absorption Study

A price point and market absorption study (the “Market Absorption Study”) with respect to the property within Improvement Area A of the Community Facilities District, dated April 18, 2014 (the “Market Absorption Study”), was prepared by Empire Economics, Inc., Capistrano Beach, California (the “Market Absorption Consultant”), in connection with the issuance of the 2014 Bonds. The purpose of the Market Absorption Study was to conduct an analysis of the product mix characteristics and potential risk factors that may influence the absorption of the residential products in the Community Facilities District in general, and for Improvement Area A in particular.

The Market Absorption Study describes the expected residential product mix of homes within the Community Facilities District, analyzes macroeconomic and microeconomic factors and performs an analysis of the prices for the currently active projects in Improvement Area A considering their sizes of living area and Special Tax levels and concludes that the projects are competitive in the marketplace.

The Market Absorption Study also estimates expected absorption schedules for the projects in Improvement Area A and for projects in the other Improvement Areas which are estimated to be developed later in time. The overall estimated absorption for the projects within the Community Facilities District commenced in the fourth quarter of 2013, when escrow closings to homeowners commenced in the Community Facilities District, and is estimated to continue through 2020, when the last units in the Community Facilities District are estimated to be built /occupied. All homes within Improvement Area A are estimated to be built/occupied by the end of 2015.

The Market Absorption Study concludes with a discussion of potential risk factors which may affect the estimated market absorption and product pricing. See “APPENDIX D – Market Absorption Study.”

Neither the Community Facilities District nor the School District makes any representation as to the accuracy or completeness of the Market Absorption Study. The Market Absorption Study is attached as Appendix D and should be reviewed in its entirety.

Appraised Property Values

The Appraisal Report with respect to Improvement Area A, dated April 18, 2014, and a letter dated July 11, 2014, was prepared by the Appraiser, Stephen G. White, MAI of Fullerton, California, in connection with the issuance of the 2014 Bonds. The purpose of the Appraisal Report, dated April 18, 2014, was to estimate the market value of the properties within Improvement Area A as of April 1, 2014, as segregated into the four (4) different tracts of homes.

The Appraisal Report values completed homes, homes under construction and vacant lots. The Appraisal Report does not value the 48 parcels in Neighborhood Four for which Improvement Area A Special Taxes have been prepaid.

The Appraisal Report is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of July 3, 2014, the Appraiser estimated that the market value of the lots within Improvement Area A (subject to the lien of the Improvement Area A Special Taxes) was at least as high as the April 1, 2014, concluded values set forth below:

Table 4
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A

Appraisal Report Market Values

Product Type Name⁽¹⁾	No. of Lots	Market Values
Hawthorne at Del Sur		
<i>Individual Owners (Completed-Sold Homes)</i>	23	\$19,780,000
<i>Builder Ownership (Completed-Unsold Homes)</i>	4	3,180,000
<i>Builder Ownership (Homes Under Construction)</i>	18	\$9,150,000
<i>Builder Ownership (Vacant Lots)⁽²⁾</i>	<u>4</u>	<u>990,000</u>
Subtotal	49	\$33,100,000
Garretson at Del Sur		
<i>Builder Ownership (Homes Under Construction)</i>	24	\$5,880,000
<i>Builder Ownership (Vacant Lots)</i>	<u>21</u>	<u>2,980,000</u>
Subtotal	45	\$8,860,000
Prado at Del Sur		
<i>Builder Ownership (Homes Under Construction)</i>	3	\$945,000
<i>Builder Ownership (Vacant Lots)⁽³⁾</i>	<u>60</u>	<u>14,490,000</u>
Subtotal	63	\$15,435,000
Carrillo at Del Sur		
<i>Individual Owners (Completed-Sold Homes)</i>	26	\$20,540,000
<i>Builder Ownership (Completed-Unsold Homes)</i>	4	2,960,000
<i>Builder Ownership (Homes Under Construction)</i>	19	8,675,000
<i>Builder Ownership (Vacant Lots)</i>	<u>3</u>	<u>460,000</u>
Subtotal	52	\$32,635,000
Totals:	209	\$90,030,000

⁽¹⁾ As of April 1, 2014, there were 57 completed homes, including 49 owned by individual homeowners and 8 builder-owned homes. Of the 8 completed builder-owned homes, there were 2 production homes and 6 model homes, including 3 model homes in Hawthorne at Del Sur and 3 model homes in Carrillo at Del Sur. As of July 3, 2014, there were 103 completed homes, including 78 owned by individual homeowners and 25 builder-owned homes. Of the 25 completed builder-owned homes, there were 10 production homes and 15 model homes, including 3 model homes in Hawthorne at Del Sur, 6 model homes in Garretson at Del Sur, 3 model homes in Prado at Del Sur and 3 model homes in Carrillo at Del Sur.

⁽²⁾ \$990,000 value of Undeveloped Property.

⁽³⁾ \$5,796,000 value of Developed Property and \$8,694,000 value of Undeveloped Property.

Source: Appraisal Report.

The aggregate market value as of April 2014, reported in the Appraisal of \$90,030,000 for the property appraised results in an approximate value-to-lien ratio is 5.22 to 1 with respect to Improvement Area A, calculated with respect to all direct and overlapping tax and assessment bonds as presented in Tables 5A and 5B in the section entitled “ – Value-to-Lien Ratios” below as of the estimated date of issuance of the 2014 Bonds. The Appraiser in a letter dated July 11, 2014, indicates that the values were at least as high as those presented as of April 1, 2014. The value-to-lien ratio of individual parcels will differ from the foregoing aggregate values. Based on estimated debt service on the 2014 Bonds and the number of building permits issued as of May 1, 2013, the Community Facilities District did not levy an Improvement Area A Special Tax in Fiscal Year 2013-14 on Undeveloped Property. The value-to-lien ratio of individual parcels will differ from the foregoing aggregate value.

See “SECURITY FOR THE 2014 BONDS – Rates and Methods,” “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA A – Direct and Overlapping Debt” and “BONDOWNERS’ RISKS –Appraised Values” herein and APPENDIX C – “Appraisal Report” appended hereto for further information on the Appraisal Report, for limiting conditions relating to the Appraisal Report and for information relating to overlapping indebtedness.

The School District makes no representation as to the accuracy or completeness of the Appraisal Report. See APPENDIX C hereto for more information relating to the Appraisal Report.

Value-to-Lien Ratios

Tables 5A through 5C below set forth value-to-lien category ranges for the 209 parcels utilizing the appraised values of \$90,030,000 as of April 1, 2014, which value included 57 then completed homes valued in the Appraisal Report, the appraised value for the 64 parcels then under construction and the appraised value for 88 vacant lots.

On February 27, 2014, the Poway Unified School District Financing Authority issued \$40,000,000 of 2014 Special Tax Revenue Bonds, payable solely from Installment Payments payable by various Community Facilities Districts formed by the School District (the “School District CFDs”) pursuant to a Joint Acquisition Agreement. In Fiscal Year 2013-14, all of the special taxes collected by the Community Facilities District are being utilized for administrative expenses leaving no revenue available to make the Installment Payments. The School District will utilize a combination of capitalized interest and the special taxes collected within the School District CFDs to pay the portion of the Installment Payments which cannot be paid from the special taxes of the Community Facilities District. The Community Facilities District special taxes are expected to be used as the sole source for the payment of the Installment Payments once sufficient development has occurred. Therefore, in allocating the portion of the 2014 Special Tax Revenue Bonds that represents overlapping debt in Tables 5A through 5C, the estimated portion of the \$40,000,000 which would be allocated to the parcels within Improvement Area A, assuming build out of the 209 residential homes and the maximum allocation of estimated special taxes levied by the Community Facilities District on the properties within Improvement Area A to the payment of the Installment Payments due under the Joint Acquisition Agreement has been included in such tables.

Table 5A
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A

Appraised Value and Value-to-Burden Ratio

Value-to-Lien Category	Number of Parcels⁽¹⁾	Principal Amount of 2014 Bonds	Combined Overlapping Liens⁽²⁾	Appraised Value⁽³⁾	Combined Value-to-Lien Burden Ratio⁽⁴⁾	Estimated Fiscal Year 2015-16 Improvement Area A Special Tax	Percentage Share of Improvement Area A Special Tax
10:1 and above	0	\$0.00	\$0.00	\$0	NA	\$0.00	0.00%
7:1 to 10:1	57	3,074,699.02	2,219,865.20	46,460,000	8.78:1	172,407.34	30.75
5:1 to 7:1	18	962,456.81	695,130.04	9,285,000	5.60:1	53,967.76	9.62
3:1 to 5:1	83	3,653,258.91	2,662,528.33	24,300,500	3.85:1	204,848.88	36.53
3:1 and below	<u>51</u>	<u>2,309,585.26</u>	<u>1,680,843.23</u>	<u>9,984,500</u>	<u>2.50:1</u>	<u>129,505.18</u>	<u>23.10</u>
Total⁽⁵⁾	209	\$10,000,000.00	\$7,258,366.81	\$90,030,000	5.22:1	\$560,729.16	100.00%

- (1) The Special Taxes shown reflect the projected Special Taxes of Developed Property based on information provided by SPIC Del Sur, LLC.
(2) Represents the principal of the Community Facilities District No. 15 Improvement Area A together with the estimated portion of \$40,000,000 of Poway Unified School District Financing Authority 2014 Special Tax Revenue Bonds which would be allocated to the parcels within Improvement Area A assuming build out of Improvement Area A and assuming the maximum allocation of estimated special taxes levied by CFD No. 15 to payment of the installment payments due under a Joint Acquisition Agreement among the Poway Unified School District Financing Authority and various community facilities districts formed by the School District, including the Community Facilities District.
(3) Source: Appraisal Report Date of Value as of April 1, 2014.
(4) Average value to lien per lot; actual value to lien may vary.
(5) Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 5B
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A

Appraised Value and Value-to-Burden Ratio by Ownership

Ownership⁽¹⁾	Number of Parcels	Total Appraised Value⁽²⁾	Estimated Fiscal Year 2015-16 Assigned Annual Improvement Area A Special Tax Levy	Percentage of Fiscal Year 2015-16 Levy	Principal Amount of 2014 Bonds	Other Overlapping Debt⁽³⁾	Value-to-Lien⁽⁴⁾
SPIC Del Sur, LLC	160	\$49,710,000	\$412,597.50	73.58%	\$7,358,231.56	\$5,351,025.22	3.91:1
Individual Owners	<u>49</u>	<u>40,320,000</u>	<u>148,131.66</u>	<u>26.42</u>	<u>2,631,768.44</u>	<u>1,907,341.59</u>	<u>8.86:1</u>
Total⁽⁵⁾	209	\$90,030,000	\$560,729.16	100.00%	\$10,000,000.00	\$7,258,366.81	5.22:1

- (1) Ownership status based on information provided by SPIC Del Sur, LLC as of April 1, 2014.
(2) Source: Appraisal Report Date of Value and ownership as of April 1, 2014.
(3) Represents the estimated portion of \$40,000,000 of Poway Unified School District Financing Authority 2014 Special Tax Revenue Bonds which would be allocated to the parcels within Improvement Area A assuming build out of Improvement Area A and assuming the maximum allocation of estimated special taxes levied by CFD No. 15 to payment of the installment payments due under a Joint Acquisition Agreement among the Poway Unified School District Financing Authority and various community facilities districts formed by the School District, including the Community Facilities District.
(4) Average value-to-lien per lot; actual value-to-lien may vary.
(5) Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 5C
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A

Appraised Value and Value-to-Burden Ratio by Ownership and Development Status

Ownership⁽¹⁾	Number of Parcels	Total Appraised Value⁽²⁾	Estimated Fiscal Year 2015-16 Assigned Annual Improvement Area A Special Tax Levy⁽²⁾	Percentage of Fiscal Year 2015-16 Levy	Principal Amount of 2014 Bonds	Other Overlapping Debt⁽³⁾	Value-to-Lien⁽⁴⁾
Individual Owners	49	\$40,320,000	\$148,131.66	26.42%	\$2,641,768.44	\$1,907,341.59	8.86:1
SPIC Del Sur, LLC							
Completed Unsold	8	\$6,140,000	\$24,275.68	4.33%	\$432,930.58	\$312,523.61	8.24:1
Und. Const. (90% Complete)	6	3,510,000	18,476.64	3.30	1,031,182.68	237,721.39	2.77:1
Und. Const. (70% Complete)	8	3,840,000	23,765.38	4.24	544,400.79	306,230.51	4.51:1
Und. Const. (60% Complete)	7	3,255,000	21,336.84	3.81	334,410.64	274,639.31	5.34:1
Und. Const. (40% Complete)	6	2,940,000	18,751.38	3.34	380,519.54	241,110.59	4.73:1
Und. Const. (20% Complete)	10	4,280,000	30,526.14	5.44	423,829.93	392,894.37	5.24:1
Und. Const. (10% Complete)	27	6,825,000	57,821.42	10.31	329,510.95	757,371.43	6.28:1
Vacant	<u>88</u>	<u>18,920,000</u>	<u>217,644.02</u>	<u>38.81</u>	<u>3,881,446.44</u>	<u>2,828,534.02</u>	<u>2.82:1</u>
Total⁽⁵⁾	209	\$90,030,000	\$560,729.16	100.00%	\$10,000,000.00	\$7,258,366.81	5.22:1

⁽¹⁾ Ownership status based on updated information provided by SPIC Del Sur, LLC as of April 1, 2014.

⁽²⁾ Source: Appraisal Report Date of Value and ownership as of April 1, 2014.

⁽³⁾ Represents the estimated portion of \$40,000,000 of Poway Unified School District Financing Authority 2014 Special Tax Revenue Bonds which would be allocated to the parcels within Improvement Area A assuming build out of Improvement Area A and assuming the maximum allocation of estimated special taxes levied by CFD No. 15 to payment of the installment payments due under a Joint Acquisition Agreement among the Poway Unified School District Financing Authority and various community facilities districts formed by the School District, including the Community Facilities District.

⁽⁴⁾ Average value-to-lien per lot; actual value-to-lien may vary.

⁽⁵⁾ Totals may not sum due to rounding.

Source: Dolinka Group, 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 A, prepared by National Tax Data, Inc., and prepared during April 30, 2014 (the “Debt Report”). The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on 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 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. See “ – Value-to-Lien Ratios” for a discussion regarding the estimated allocation of \$40,000,000 of 2014 Special Tax Revenue Bonds issued by the Poway Unified School District Financing Authority on February 27, 2014 to parcels within Improvement Area A of the Community Facilities District.

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 A 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 A. 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 A 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 F hereto for the form of the Community Facilities District Continuing Disclosure Agreement.

Table 6
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A

Detailed Direct and Overlapping Debt

I. Assessed Value

2013-14 Secured Roll Assessed Value \$21,804,640

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	%	Parcels	Levy
Basic 1% Levy	PROP13	962,867	\$3,775,811,595.09	0.00577%	118	\$218,046.40
Voter Approved Debt	VOTER	962,763	461,884,715.79	0.00100%	118	4,599.02
County of San Diego Vector Control, Zone A	VECTOR	533,424	1,498,024.20	0.02363%	118	354.00
County of San Diego Vector Disease Control	VECTOR	948,993	5,275,209.40	0.00327%	118	172.28
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,998	4,371,960.40	0.03253%	118	1,422.16
Palomar Pomerado Health GOB 2004	GOB	189,043	14,348,008.51	0.03572%	118	5,124.64
Poway Unified School District CFD No. 15	CFD	6	18,463.14	43.46790%	3	8,025.54
Poway Unified School District CFD No. 15, Impv Area A	CFD	179	8,606.02	100.00000%	3	8,606.02
San Diego County Water Authority Standby Charge	STANDBY	363,873	3,830,166.94	0.03229%	118	1,236.60
2013-14 TOTAL PROPERTY TAX LIABILITY						\$247,586.66
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2013-14 ASSESSED VALUATION						1.14%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	%	Parcels	Amount
Poway Unified School District CFD No. 15	CFD	40,000,000	40,000,000	43.46790%	3	17,387,160 ⁽²⁾
Poway Unified School District CFD No. 15, Impv Area A	CFD	-0-	-0-	100.00000%	3	-0-
TOTAL LAND SECURED BOND INDEBTEDNESS ⁽¹⁾						\$17,387,160
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS ⁽¹⁾						\$17,387,160

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	%	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$132,275,000	0.00100%	118	\$1,321
Palomar Community College District GOB 2006	GOB	334,998,901	315,828,901	0.02409%	118	76,098
Palomar Pomerado Health GOB 2004	GOB	495,999,997	471,823,577	0.03518%	118	165,970
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS ⁽¹⁾						\$243,388
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS ⁽¹⁾						\$243,388
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$17,630,548.27

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

⁽²⁾ Rather than allocating the \$17,387,160 portion of the 2014 Special Tax Revenue Bonds indicated in Table 6 which was allocated based on only those parcels within Improvement Areas A and B which were levied in Fiscal Year 2013-14, for purposes of allocating 2014 Special Tax Revenue Bonds in Tables 5A through 5C, the allocation applied was \$7,258,366.81, which is the estimated portion of the \$40,000,000 which would be allocated to the parcels within Improvement Area A, assuming build out of the 209 residential homes and the maximum allocation of estimated special taxes levied by the Community Facilities District on the properties within Improvement Area A to the payment of the Installment Payments due under the Joint Acquisition Agreement.

Source: National Tax Data, Inc.

Table 7 below sets forth Fiscal Year 2013-14 overall tax rates projected to be applicable to a Detached Unit. Table 7 also sets 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. 15 (Del Sur East)
Improvement Area A

Fiscal Year 2013-14 Tax Rates
(Single Family Detached Unit Containing 2,701 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$797,965
Homeowner's Exemption	(7,000)
Net Assessed Value ⁽²⁾	\$790,965

Ad Valorem Property Taxes	Percent of Total AV	Amount
General Purposes	1.00000%	\$7,909.65
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350	\$185.88
Palomar Community College Debt Service	0.01260	99.66
San Diego City Zoological Exhibits	0.00500	39.55
Metropolitan Water District Debt Service	0.00350	27.68
Total Ad Valorem Property Taxes	1.04460%	\$8,262.42

Assessments, Special Taxes and Parcel Charges⁽³⁾

Poway Unified School District CFD No. 15	\$2,677.98
Poway Unified School District CFD No. 15 Improvement Area A	2,871.82
Black Mountain Ranch North Maintenance Assessment District, Zone G	49.62
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	2.28
	\$5,629.06
Total Assessments, Special Taxes and Parcel Charges	\$13,891.48
Total Property Taxes	1.74%

(1) Projected Fiscal Year 2013-14 assessed valuation based on sales price for a single family detached unit containing 2,701 building square feet, as provided by SPIC Del Sur, LLC.

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

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

Source: Dolinka Group, LLC.

Table 8 below sets forth Fiscal Year 2013-14 overall tax rates projected to be applicable to an Attached Unit. Table 8 also sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

Table 8
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A

Fiscal Year 2013-14 Tax Rates
(Single Family Attached Unit Containing 1,590 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$528,000
Homeowner's Exemption	(7,000)
Net Assessed Value ⁽²⁾	\$521,000

Ad Valorem Property Taxes	Percent of Total AV	Amount
General Purposes	1.00000%	\$5,210.00
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350	\$122.44
Palomar Community College Debt Service	0.01260	65.65
San Diego City Zoological Exhibits	0.00500	26.05
Metropolitan Water District Debt Service	0.00350	18.24
Total Ad Valorem Property Taxes	1.04460%	\$5,442.37

Assessments, Special Taxes and Parcel Charges⁽³⁾

Poway Unified School District CFD No. 15	\$1,889.74
Poway Unified School District CFD No. 15 Improvement Area A	2,026.24
Black Mountain Ranch North Maintenance Assessment District, Zone G	49.62
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	2.28
	\$3,995.24

Total Assessments, Special Taxes and Parcel Charges	\$9,437.61
Total Property Taxes	1.7%

- (1) Projected Fiscal Year 2013-14 assessed valuation based on sales price for a single family attached unit containing 1,590 building square feet, as provided by SPIC Del Sur, LLC.
- (2) Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption.
- (3) All charges and special assessments are based on a Lot size of less than one (1) acre.

Source: Dolinka Group, LLC.

Overlapping 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 A Special Taxes levied with respect to the 2014 Bonds and the Community Facilities District Special Taxes, the Community Facilities District is not aware of whether the properties within Improvement Area A are subject to sewer service charges or 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 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 A 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 A 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 2014 Bonds are issued between the value of the property and the debt secured by the Improvement Area A 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 A Special Taxes when due.

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

PROPERTY OWNERSHIP AND DEVELOPMENT

The information about SPIC Del Sur, LLC contained in this Official Statement has been provided by representatives of SPIC Del Sur, LLC and has not been independently confirmed or verified by the Underwriter, the School District or the Community Facilities District. The Underwriter, the School District and the Community Facilities District make no representation as to the accuracy or adequacy of the information contained in this section. There may be material adverse changes in this information after the date of this Official Statement.

SPIC Del Sur, LLC

Representatives of SPIC Del Sur, LLC have provided the information in this section regarding SPIC Del Sur, LLC and Standard Pacific and the actual and proposed development in Improvement Area A. None of the Underwriter, the School District and the Community Facilities District have independently confirmed or verified the information in this section of the Official Statement nor does any such party make any representation as to accuracy or adequacy of this information. Further, there may be material adverse changes in this information after the date of this Official Statement.

The information in this section of the Official Statement regarding ownership of certain taxable property in Improvement Area A has been included because it is considered relevant to an informed evaluation of the 2014 Bonds. The inclusion in this Official Statement of information related to SPIC Del Sur, LLC and Standard Pacific should not be construed to suggest that the 2014 Bonds, or the Special Taxes that will be used to pay the 2014 Bonds, are recourse obligations of any such entity or any other property owner in Improvement Area A. A property owner may sell or otherwise dispose of land within Improvement Area A or a development or any interest therein at any time.

The 2014 Bonds and the Special Taxes are not personal obligations of SPIC Del Sur, LLC, or any other current or subsequent property owners and, in the event that SPIC Del Sur, LLC or any other current or subsequent property owner defaults in the payment of the Special Taxes, the Community Facilities District may proceed with judicial foreclosure but has no direct recourse to the assets of SPIC Del Sur, LLC or any other current or subsequent property owner. As a result, other than as provided in the Official Statement, no financial information is, or will be, provided about Standard Pacific or any other current or subsequent property owner. The 2014 Bonds are secured solely by the Special Taxes and other amounts pledged under the Indenture. See “SECURITY FOR THE 2014 BONDS” and “BONDOWNERS RISKS.”

Standard Pacific and SPIC Del Sur, LLC

Standard Pacific, also known as Standard Pacific Homes, is the builder with respect to the homes in Improvement Area A. SPIC Del Sur, LLC owns the property and markets the finished homes in Improvement Area A.

Standard Pacific is subject to the informational reporting requirements of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information, including financial statements, with the Security and Exchange Commission (“SEC”). (Standard Pacific is listed on the New York Stock Exchange under the symbol SPF.) Such filings, particularly Standard Pacific’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as filed by Standard Pacific with the SEC on February 24, 2014, set forth certain data relative to the consolidated results of operation and financial position of Standard Pacific and its subsidiaries as of such dates. The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Standard Pacific. The address of such Internet web site is www.sec.gov. This Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the Internet site. All documents subsequently filed by Standard Pacific pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above.

Description of Projects. The development which constitutes Standard Pacific’s projects in Improvement Area A, together with the minimum lot sizes, estimated unit sizes and estimated base sales price range is set forth below.

Project Name	Minimum Lot Size (Square Feet)	Estimated Unit Size (Square Feet)	Estimated Base Sales Price Range	Total Units	Homes Completed or under Construction
Hawthorne	4,100	2,600 - 2,955	\$814,000 - \$836,000	49	49
Garretson	Townhomes	1,518 – 1,867	\$498,000 - \$580,000	45	39
Prado	Motorcourt 2,774 – 4,680	1,905 - 2,448	\$639,000 - \$729,000	63	33
Carrillo	3,900	2,483 – 2,817	\$752,000 - \$784,000	52	52

The development summary shown above is based on SPIC Del Sur, LLC’s current plan as of July, 2014. This plan may change to respond to changes in economic or market conditions. See BONDOWNERS’ RISKS” herein for a discussion of risk factors.

Status of Permits and Approvals. A final tract map was recorded in July 2012, with respect to the Carrillo project, in March 2013, for the Hawthorne project, in June 2013 for the Garretson project and in October 2013 for the Prado project. Black Mountain Ranch LLC has completed grading and constructing all backbone public improvements, finished lots and in-tract street, sewer, water and dry utility improvements for the detached single housing lots in the Carrillo, Hawthorne and Prado projects and estimates completion of such improvements for the attached housing in the Garretson project in the third quarter of 2014. Most required development approvals were obtained by Black Mountain Ranch LLC over the last few years. The project has satisfied reviews relating to sensitive plant or animal species on the property (among other matters). Standard Pacific is not aware of any additional permits required to proceed with development of the property other than the usual permits required from the City of San Diego and applicable local agencies. No lots are in the 100-year flood plain.

The table below shows the ownership of the Taxable Property within Improvement Area No. A of the Community Facilities District as of July 3, 2014.

Table 9
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A

Development Status as of July 3, 2014

<u>Project Name</u>	<u>Completed Homes Owned by Individual Homeowners⁽¹⁾</u>	<u>Completed Homes/ Standing Inventory⁽²⁾</u>	<u>Homes Under Construction</u>	<u>Near Finished Lots</u>		<u>Total</u>
				<u>W/Bldg. Permits</u>	<u>W/O Bldg. Permits</u>	
Hawthorne	36	9	4	--	--	49
Garretson	--	6	33	--	6	45
Prado	--	3	30	--	30	63
Carrillo	42	7	3	--	--	52
Totals:	78	25	70	0	36	209

⁽¹⁾ Information in the table above presents development status as of July 3, 2014.

⁽²⁾ Currently owned by Standard Pacific, includes 15 model homes and 10 completed production homes.

Source: Standard Pacific.

Home sales commenced in the third quarter of 2013 for the Hawthorne and Carrillo projects and in the fourth quarter of 2013 for the Garretson project. Home sales for Prado commenced in the second quarter of 2014.

Plan of Finance. To date, Standard Pacific has financed its land acquisition and various site development and home construction costs related to its property in Improvement Area A through home sales and internally generated funds. Standard Pacific expects to use home sales, internal funding and funding under its revolving credit facility to complete its development in Improvement Area A. However, home sales revenues for Standard Pacific's project in Improvement Area A are not segregated and set aside for the payment of costs required to complete its project in Improvement Area A. Homes sales revenue is accumulated by Standard Pacific and used to pay costs of Standard Pacific's operations, to pay debt service on outstanding debt, and for other corporate purposes, and may be diverted to pay costs other than the costs of completing the project in the Improvement Area A at the discretion of Standard Pacific management. Notwithstanding the foregoing, Standard Pacific believes that it will have sufficient funds available to complete its proposed development in Improvement Area A in accordance with the development schedule described in this Official Statement.

As of December 31, 2013, Standard Pacific was a party to a \$440 million unsecured revolving credit facility, which matures in October 2015 (the "Credit Facility"). The Credit Facility has an option which allows Standard Pacific to increase the total aggregate commitment, subject to certain conditions including the availability of additional bank lending commitments. The Credit Facility contains certain

covenants and conditions which may limit the amount Standard Pacific may borrow or have outstanding at any time. As of March 31, 2014, Standard Pacific satisfied the conditions that would allow it to borrow up to \$440 million under the Credit Facility and had no amounts outstanding. Standard Pacific's ability to renew the Credit Facility in the future is dependent upon a number of factors including the state of the commercial lending environment, the willingness of banks to lend to homebuilders and Standard Pacific's financial condition and strength.

Although Standard Pacific expects to have sufficient funds available to complete its development in Improvement Area A in accordance with the development schedule described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development and home construction costs will be available from Standard Pacific or any other source when needed. For example, borrowings under the Credit Facility may not be available, and home sales revenue, which is accumulated daily for use in operations, to pay debt service on outstanding debt, and for other corporate purposes, may be diverted to pay costs other than the costs of completing the project in Improvement Area A at the discretion of Standard Pacific management. Neither Standard Pacific, nor its lenders, nor any of its related entities are under any legal obligation of any kind to expend funds for the development of and construction of homes on its property in Improvement Area A. Any contributions by Standard Pacific to fund the costs of such development and home construction are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, and borrowings under the Credit Facility are inadequate to pay the costs to complete the planned development by Standard Pacific within Improvement Area A and other financing by Standard Pacific is not put into place, there could be a shortfall in the funds required to complete the proposed development by Standard Pacific in Improvement Area A and the remaining portions of the project in Improvement Area A may not be developed.

Absorption. SPIC Del Sur, LLC's absorption projections for each of the four projects is approximately 12 unit sales per project per quarter. Information regarding the current status of sales is described above in "*Status of Permits and Approvals.*"

Development Expectations Subject to Change. SPIC Del Sur, LLC's development expectations could be altered due to changes in economic and market conditions or other factors. No assurances can be given that home construction will be carried out on the schedule or according to the plans described in this Official Statement or that SPIC Del Sur, LLC's construction plans will not change after the date of this Official Statement.

Development Experience. Through its homebuilding divisions and joint ventures, Standard Pacific delivered 3,291 homes in 2012 and 4,602 homes in 2013. The San Diego Division delivered approximately 146 homes in 2013. Recent projects under development by the San Diego Division of Standard Pacific include the following:

Site Name	Location	No. of Units	Proposed Base Prices	Square Feet
Presidio I	Del Sur	52	\$930,000 - \$957,000	3,558 – 3,748
Presidio II	Del Sur	56	\$930,000 - \$957,000	3,558 – 3,748
Carrillo	Del Sur	52	\$747,000 - \$777,000	2,483 – 2,817
Hawthorne	Del Sur	49	\$814,000 - \$831,000	2,600 – 2,955
Marston	Del Sur	54	\$1,003,000 - \$1,068,000	3,929 – 4,480
Garretson	Del Sur	45	\$491,000 - \$567,000	1,518 – 1,867
Prado	Del Sur	63	\$610,000 - \$695,000	1,905 – 2,448
Westcott	Carlsbad	80	\$725,000 - \$847,000	2,075 – 3,316
Bellasario	Scripps Ranch	47	\$1,003,000 - \$1,088,000	4,198 – 4,951

History of Property Tax Payment; Loan Defaults; Bankruptcy. An authorized representative executing a certificate on behalf of SPIC Del Sur, LLC certifies that to its knowledge:

- SPIC Del Sur, LLC, is a wholly-owned subsidiary of Standard Pacific, a large, nation-wide company that is developing or has been involved in the development of numerous projects over an extended period of time. SPIC Del Sur, LLC has not ever been delinquent in the payment of *ad valorem* property taxes, special assessments or special taxes however, SPIC Del Sur, LLC cannot represent with assurance that neither Standard Pacific nor any of SPIC Del Sur, LLC's Relevant Entities has not ever been delinquent in the payment of *ad valorem* property taxes, special assessments or special taxes; however, SPIC Del Sur, LLC does not have actual knowledge that Standard Pacific or any of SPIC Del Sur, LLC's Relevant Entities is currently delinquent in any material amount in the payment of *ad valorem* property taxes, special assessments or special taxes,

- neither SPIC Del Sur, LLC or any of its Relevant Entities is currently in material default on any loans, lines of credit or other obligation related to the development of the Property or any other project which default is reasonably likely to materially and adversely affect SPIC Del Sur, LLC's ability to develop the Property as stated in the Official Statement or to pay the Special Taxes prior to delinquency with respect to the Property.

- SPIC Del Sur, LLC and, to the actual knowledge of SPIC Del Sur, LLC, its Relevant Entities are able to pay their bills as they become due and no legal proceedings are pending against SPIC Del Sur, LLC or its Relevant Entities (with proper service of process having been accomplished) or, to the actual knowledge of SPIC Del Sur, LLC, threatened in writing in which St SPIC Del Sur, LLC may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

- No action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against SPIC Del Sur, LLC or a Relevant Entity (with proper service of process to SPIC Del Sur, LLC or a Relevant Entity having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Relevant Entity (with proper service of process to such Relevant Entity having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against SPIC Del Sur, LLC or any such Relevant Entity which is reasonably likely to materially and adversely affect SPIC Del Sur,

LLC's ability to complete the development and sale of the Property as proposed in the Official Statement or the payment of the Special Taxes due with respect to the Property,

For purposes of this Official Statement, the actual knowledge of SPIC Del Sur, LLC shall mean the actual knowledge of representatives of Standard Pacific's San Diego Division acting on behalf of SPIC Del Sur, LLC.

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 2014 Bonds. The Community Facilities District cautions 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 2014 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area A to pay their Improvement Area A Special Taxes and the Community Facilities District Special Taxes when due. Any such failure to pay Improvement Area A Special Taxes could result in the inability of the Community Facilities District to make full and punctual payments of debt service on the 2014 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 A.

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 A, 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 and floods), which may result in uninsured losses. For example, in May 2014, a wildfire occurred within a graded portion of the Community Facilities District. No homes were damaged by the wildfire.

Economic Uncertainty

The 2014 Bonds are being issued at a time of local economic uncertainty and volatility. Unemployment rates have decreased to approximately 4.0% for the Poway area as of April 18, 2014 (not seasonally adjusted) as compared to 4.4% for calendar year 2013, approximately 6.9% for the City of San Diego (not seasonally adjusted) as compared to 7.5% for calendar year 2013 and approximately 6.9% (not seasonally adjusted) for San Diego County as compared to 7.5% for calendar year 2013. The Community Facilities District cannot predict how long these conditions will last or whether to what extent they may affect the ability of homeowners to pay Improvement Area A Special Taxes or the marketability of the 2014 Bonds.

State Budget

In recent years as a result of the slow State and United States of America economies, the State experienced serious budgetary shortfalls. The effect of the level of State revenues on the local or State economy or on the demand for, or value of, the property within the Community Facilities Districts cannot be predicted.

Improvement Area A Special Taxes Are Not Personal Obligations

The current and future owners of land within Improvement Area A are not personally liable for the payment of the Improvement Area A Special Taxes. Rather, the Improvement Area A Special Tax is an obligation only of the land within Improvement Area A. If the value of the land within Improvement Area A is not sufficient to fully secure the Improvement Area A Special Tax, then Improvement Area A has no recourse against the landowner under the laws by which the Improvement Area A Special Tax has been levied and the 2014 Bonds have been issued.

The 2014 Bonds Are Limited Obligations of the Community Facilities District

The Community Facilities District has no obligation to pay principal of and interest on the 2014 Bonds in the event Improvement Area A 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 A Special Tax are delinquent, nor is the Community Facilities District obligated to advance funds to pay such debt service on the 2014 Bonds.

Appraised Values

The Appraisal Report summarized in APPENDIX C hereto estimates the fee simple interest market value of the residential property within Improvement Area A. This value is merely the present opinion of the Appraiser, and is qualified by the Appraiser as stated in the Appraisal Report. The Community Facilities District has not sought the present opinion of any other appraiser of the value of the Taxable Property. A different present opinion of such value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell nor to buy. Consequently, the opinion 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.

In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that if any of the Taxable Property in Improvement Area A should become delinquent in the payment of Improvement Area A Special Taxes, and be foreclosed upon, that such property could be sold for the amount of estimated market value thereof contained in the Appraisal Report.

Value-to-Lien Ratios

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property (usually either the assessed value or a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes. A value-to-lien ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are especially sensitive to economic cycles. A downturn of the economy may depress land values and hence the value-to-lien ratios. Further, the value-to-lien ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a 1:1 ratio, the land is worth less than the debt on it.) Although judicial

foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. They typically do not coordinate their bond issuances. Debt issuance by another entity can dilute value-to-lien ratios. See “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA A – Direct and Overlapping Debt.”

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

While the Improvement Area A 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. 15 (DEL SUR EAST) IMPROVEMENT AREA A – 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 and furthermore states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The 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 A Special Tax securing the 2014 Bonds.

In general, as long as the Improvement Area A Special Tax is collected on the County tax roll, the Improvement Area A 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 A Special Taxes securing the 2014 Bonds, the Improvement Area A Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Improvement Area A 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 A 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 A 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 A 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

On December 27, 2012, the Community Facilities District recorded Notices of Special Tax Lien for the territory included in Improvement Area A and in the Community Facilities District in the Office of the San Diego County Recorder as Document No. 2012-0818722 with respect to the Improvement Area A Rate and Method, and as Document No. 2012-0818721 with respect to the Community Facilities District

Rate and Method. 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 A Special Tax obligation and Community Facilities District Special Tax obligation in the purchase of a parcel of land or a home in Improvement Area A 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 A Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Improvement Area A 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.

Insufficiency of the Improvement Area A Special Tax

The principal source of payment of principal of and interest on the 2014 Bonds is the proceeds of the annual levy and collection of the Improvement Area A Special Tax against property within Improvement Area A. The annual levy of the Improvement Area A 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 A Special Tax, together with other available funds, will not be sufficient to pay debt service on the 2014 Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Improvement Area A Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Improvement Area A Special Tax are delinquent.

The levy of the Improvement Area A 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 A 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 2014 Bonds, and certainly not a direct relationship.

The Improvement Area A Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and application of the Improvement Area A Rate and Method. Application of the Improvement Area A 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 A. Thus, in addition to annual variations of the revenue needs from the Improvement Area A Special Tax, the following are some of the factors which might cause the levy of the Improvement Area A Special Tax on any particular Taxable Property to vary from the Improvement Area A 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 A 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 A Special Tax and delays in the collection of or inability to collect the Improvement Area A 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 2014 BONDS – Improvement Area A Special Taxes” and “ – Rates and Methods” herein, the Indenture provides that the Improvement Area A 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 2014 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 2014 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 2014 BONDS – Proceeds of Foreclosure Sales.”

In addition, the Improvement Area A Rate and Method limits the increase of Improvement Area A Special Taxes levied on parcels of Developed Property to cure delinquencies of other property owners in Improvement Area A. See “SECURITY FOR THE 2014 BONDS – Rates and Methods” herein.

Exempt Properties

Certain properties are exempt from the Improvement Area A Special Tax in accordance with the Improvement Area A Rate and Method (see “SECURITY FOR THE 2014 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 A Special Tax; *provided, however*, that property within Improvement Area A acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Improvement Area A Special Tax, will continue to be subject to the Improvement Area A 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 A Special Tax. In addition, although the Act provides that if property subject to the Improvement Area A Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Improvement Area A 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 A 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 A Special Tax.

The Act further provides that no other properties or entities are exempt from the Improvement Area A 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 2014 BONDS – Reserve Fund” herein). Funds in the Reserve Fund may be used to pay principal of and interest on the 2014 Bonds, in the event the proceeds of the levy and collection of the Improvement Area A 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 A 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 A Special Tax levy can occur as long as the proceeds that are collected from the levy of the Improvement Area A Special Tax against property within Improvement Area A, 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 A 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 A 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 2014 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 A 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 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 A Special Taxes or the timing of enforcement of Improvement Area A 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 A 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 A Special Taxes may take up to two or three years from initiation to the lien foreclosure sale. At an Improvement Area A Special Tax lien foreclosure sale, each parcel will be sold for not less than the “minimum bid amount” which is equal to the sum of all delinquent Improvement Area A 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 A 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 A 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 A 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 2014 Bonds. See “Improvement Area A Special Taxes Are Not Personal Obligations” above.

Bankruptcy and Foreclosure Delay

The payment of Improvement Area A Special Taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent Improvement Area A Special Taxes as discussed in the section herein entitled “SECURITY FOR THE 2014 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 2014 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 A 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 A 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 A Special Taxes and could result in the possibility of delinquent Improvement Area A Special Taxes not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Improvement Area A 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 A 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 A 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 2014 Bonds and the possibility of delinquent Improvement Area A 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 A is owned by SPIC Del Sur, LLC or any other property owner, and Improvement Area A Special Taxes have been levied on such property, and such owner is the subject of bankruptcy proceedings, the payment of the Improvement Area A Special Tax and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Improvement Area A 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.

In 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 A 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 A 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 A Special Tax, the amount of Improvement Area A 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 A Special Taxes depends upon whether a court were to determine that the Improvement Area A 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 A 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 Special Taxes on a parcel within Improvement Area A 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 2014 Bonds should assume that the Community Facilities District will be unable to collect Special taxes or to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the 2014 Bonds. Based upon the secured tax roll as of January 1, 2013, the FDIC did not own any of the property in Improvement Area A. The Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the 2014 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 Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution ("This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding"), in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Community Facilities District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within the 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 A 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. 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 A is located in a seismically active region in Southern California. Active faults which could cause significant ground shaking over Improvement Area A 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 A. As a result, the property owners may be unable or unwilling to pay the Improvement Area A Special Taxes when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in Improvement Area A 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 A Special Taxes. Development within Improvement Area A has been built in accordance with applicable building codes, including requirements relating to seismic safety. No assurances can be given that any earthquake insurance will be obtained as to any of the improvements within the 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 A 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 A, as set forth in the Appraisal Report, 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 A 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 A Special Tax installments.

Legal Requirements. Other events which may affect the value of a parcel of Taxable Property in Improvement Area A 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 2014 Bonds do not contain a provision allowing for the acceleration of the 2014 Bonds in the event of a payment default or other default under the terms of the 2014 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 E – “Summary of Certain Provisions of the Indenture” herein). So long as the 2014 Bonds are in book-entry form, DTC will be the sole Bondowner and will be entitled to exercise all rights and remedies of Bondowner.

Community Facilities District Formation

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

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

Billing of Improvement Area A 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 A 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 A 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 A 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 A Special Taxes in the future. See “SECURITY FOR THE 2014 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 A Special Taxes.

Inability to Collect Improvement Area A Special Taxes

In order to pay debt service on the 2014 Bonds, it is necessary that the Improvement Area A Special Tax levied against land within Improvement Area A 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 A Special Tax in order to obtain funds to pay debt service on the 2014 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 A 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 2014 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 A 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 2014 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 XIIC (“Article XIIC”) and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative as they may relate to community facilities districts are subject to interpretation by the courts.

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

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

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Improvement Area A Special Taxes if such reduction would interfere with the timely retirement of the 2014 Bonds.

It may be possible, however, for voters of Improvement Area A to reduce the Improvement Area A Special Taxes in a manner which does not interfere with the timely repayment of the 2014 Bonds but which does reduce the maximum amount of Improvement Area A 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 A Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Improvement Area A Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2014 Bonds.

Like its antecedents, the Initiative is likely to undergo both judicial and legislative scrutiny before its impact on Improvement Area A 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.

The foregoing discussion of the Initiative 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 2014 Bonds as well as the market for the 2014 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 Community Facilities 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 2014 Bonds or, if a secondary market exists, that such 2014 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 2014 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 2014 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2014 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 2014 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 2014 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the 2014 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2014 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 2014 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 2014 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 2014 Bonds will be selected for audit or examination by the IRS. It is also possible that the market value of such 2014 Bonds might be affected as a result of such an audit of such 2014 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 2014 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 2014 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 2014 Bonds. In 2013 and 2014, 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 Series 2014 Bonds. Prospective purchasers of the 2014 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 2014 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2014 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 2014 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 2014 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 2014 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 2014 Bonds or to preserve the tax-exempt status of the 2014 Bonds. See “Payments by FDIC and other Federal Agencies,” “No Acceleration Provisions” and “Billing of Improvement Area A 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 2014 Bonds will be made available to purchasers at the time of original delivery and is attached hereto as Appendix H. A copy of the legal opinion will be printed on each 2014 Bond. McFarlin & Anderson LLP, 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 2014 Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from State of California personal income tax. Bond Counsel notes that interest on the 2014 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 2014 Bonds is based upon certain representations of fact and certifications made by the Community Facilities 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 2014 Bonds to assure that interest on the 2014 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 2014 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2014 Bonds. The Community Facilities District has covenanted to comply with all such requirements.

To the extent the issue price of any maturity of the 2014 Bonds is less than the amount to be paid at maturity of such 2014 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2014 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 2014 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 2014 Bonds is the first price at which a substantial amount of such maturity of the 2014 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 2014 Bonds accrues daily over the term to maturity of such 2014 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 2014 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2014 Bonds. Owners of the 2014 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2014 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2014 Bonds in the original offering to the public at the first price at which a substantial amount of such 2014 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 2014 Bonds become includable in gross income for federal income tax purposes, the 2014 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 2014 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. As one example, the Obama Administration announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally have limited the exclusion from gross income of interest on obligations like the 2014 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 2014 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 2014 Bonds. Prospective purchasers of the 2014 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 2014 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 IRS has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the 2014 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2014 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 2014 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 2014 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 2014 Bonds.

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

Absence of Litigation

No litigation is pending or threatened concerning the validity of the 2014 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 2014 Bonds or in any way contesting or affecting the validity of the 2014 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 2014 Bonds.

No General Obligation of School District or Community Facilities District

The 2014 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 A Special Tax and proceeds of the 2014 Bonds, including amounts in the Reserve Fund, Improvement Area A 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 2014 Bonds shall be limited to the Improvement Area A Special Taxes to be collected within Improvement Area A.

NO RATING

The 2014 Bonds have not been rated by any securities rating agency and there are no current plans to do so in the future.

UNDERWRITING

The 2014 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated at a purchase price of \$9,596,381.10 (which represents the aggregate principal amount of the 2014 Bonds of \$10,000,000.00, less a net original issue discount of \$243,618.90 and less an underwriter's discount of \$160,000.00).

The purchase agreement relating to the 2014 Bonds provides that the Underwriter will purchase all of the 2014 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 2014 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.

PROFESSIONAL FEES

Fees payable to certain professionals, including the Underwriter, Nossaman LLP, as Underwriter's Counsel, McFarlin & Anderson LLP, as Disclosure Counsel, Best Best & Krieger LLP, as Bond Counsel, and Zions First National Bank, as the Fiscal Agent, are contingent upon the issuance of the 2014 Bonds. The fees of Dolinka Group, LLC, as Financial Advisor, Special Tax Consultant and CFD Administrator, are in part contingent upon the issuance of the 2014 Bonds. The fees of Stephen G. White, MAI, as Appraiser, and Empire Economics, Inc., as Market Absorption Consultant, are not contingent upon the issuance of the 2014 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 2014 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.

COMMUNITY FACILITIES DISTRICT NO. 15 (DEL
SUR EAST) OF THE POWAY UNIFIED SCHOOL
DISTRICT

By: /s/ Malliga Tholandi
Malliga Tholandi, Associate Superintendent,
Business Support Services, of the Poway Unified
School District on behalf of Community Facilities
District No. 15 (Del Sur East) 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 2014 Bonds, and the 2014 Bonds will not be payable from any of the School District's revenues or assets.

Introduction

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the School District. Additional information concerning the School District and copies of the most recent and subsequent audited financial reports of the School District may be obtained by contacting: Poway Unified School District, 13626 Twin Peaks Road, San Diego, CA 92064-3034, Attention: Planning Director. There may be a charge for copying, mailing and handling.

General Information

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California (the "State"). The School District was established in 1962. The School District provides education instruction for grades 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), five high schools (9-12) and one continuation high school. The School District's second period report (P-2, the period from July 1 to April 15) of average daily attendance ("ADA") computed in accordance with State law for the 2011-12 academic year was 33,553.02, for the 2012-13 academic year was 34,064.45 and for the 2013-14 academic year, was 34,450.65. The estimated population within the School District's boundaries was approximately 193,237 as of January 1, 2013. The School District reported 34,569 students enrolled at the California Basic Educational Data System ("CBEDS") for Fiscal Year 2011-12 and 35,196 students enrolled at the CBEDS during Fiscal Year 2012-13. The School District reports 35,498 students enrolled at the CBEDS during Fiscal Year 2013-14.

Administration and Enrollment

The School District is governed by the Board of Education (the "Board"). The five Board members are elected to four-year terms in alternate slates of three and two in elections held every two years. If a vacancy arises during any term, the vacancy is filled by an appointment by a majority vote of the remaining Board members and, if there is no majority, by a special election.

The administrative staff of the School District includes John P. Collins, Ed.D., Superintendent, and Malliga Tholandi, Associate Superintendent, Business Support Services.

The Superintendent of the School District is responsible for administering the affairs of the School District in accordance with the policies of the Board. The School District also employs an Associate Superintendent of Learning Support Services and an Associate Superintendent of Personnel Support Services.

Commencing with Fiscal Year 2013-14, the State budget restructures the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaces 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 provides 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 2013-14 the School District’s enrollment has been stable. The demographics of the School District reflect an increasing trend in elementary school population, stable trend in middle school population and slight decrease in high school population. Experience shows that the east side of the School District is nearly built out and west and north areas are experiencing developments and new families. California voters approved Proposition 13 that not only limits the tax rate on property, but gives an incentive for owners to occupy longer resulting in slower turnover of homes to new families. This impacts the east side with declining enrollment. The School District however has offsetting growth on the west side. Information concerning enrollment for these years is set forth below:

**Poway Unified School District
Student Enrollment**

Fiscal Year	CBEDS Enrollment	District Average Daily Attendance	District Base Revenue Limit
2006-07	32,873	31,817	\$5,527
2007-08	33,283	32,075	5,780
2008-09	33,305	32,366	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

Source: California Department of Education and the School District.

Labor Relations

As of May 2014, the School District employed approximately 1,837 certificated professionals and approximately 2,007 classified employees. The professionals, except management and some part-time employees, are represented by the bargaining units as noted below:

**Poway Unified School District
District Employees**

Labor Organization	Approximate Number of Employees In Organization¹	Contract Expiration Date
Poway Federation of Teachers (PFT), Local 2357	1,570	6/30/15
Service Employees International Union	465	6/30/15
Poway Schools Employees Association	1,445	6/30/16

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

Source: The School District.

Retirement Programs

The School District participates in the State of California Teachers' Retirement System ("STRS"). This plan covers certificated employees. The School District's contribution to STRS for Fiscal Year 2008-09 was \$11,570,502, in Fiscal Year 2009-10 was \$10,272,133, in Fiscal Year 2010-11 was \$9,706,048, in Fiscal Year 2011-12 was \$9,946,792 and in Fiscal Year 2012-13 was \$10,601,369. The School District's contribution to STRS for Fiscal Year 2013-14 is estimated to be \$10,422,028. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The School District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers certificated employees who elect and all classified personnel who are employed 1,000 or more hours per fiscal year. The School District's contribution to PERS for Fiscal Year 2008-09 was \$6,244,809, in Fiscal Year 2009-10 was \$5,929,446, in Fiscal Year 2010-11 was \$6,380,309, in Fiscal Year 2011-12 was \$6,432,393 and in Fiscal Year 2012-13 was \$7,272,505. The School District's contribution to PERS for Fiscal Year 2013-14 is estimated to be \$5,745,966.

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, 2011, was \$2,256,489, for the Fiscal Year ending June 30, 2012, was \$1,986,310 and for the Fiscal Year ending June 30, 2013, was \$1,763,725. The School District's contribution for these benefits is estimated to be \$1,619,112 for Fiscal Year 2013-14. The program is operated on a pay-as-you go basis and budgets the current costs each year with an increase based on actual health and welfare increases.

Insurance

The School District maintains commercial insurance or self-insurance for property damage, general liability and workers' compensation in such amounts and with such retentions and other terms as the School District believes to be adequate based on actual risk exposure and as may be required by statute.

In 1998, the State of California authorized the School District to operate a Self-Insured Workers' Compensation Plan to finance liabilities arising from employee industrial injuries. The School District responded by implementing such a plan on July 1, 1998. Effective July 1, 2005, the School District joined a fully insured workers' compensation Joint Powers Authority ("JPA") known as the Protected Insurance Program for Schools ("PIPS"). The School District retains responsibility for all previous self-insured claims and will manage them until they close. Keenan & Associates is the claims administrator for both self-insured and PIPS claims.

The School District operates a self-insurance program to cover general liability claim losses up to a limit of \$50,000 per claim and for property losses up to \$5,000 per claim. Lower self-insured retentions apply to boiler and machinery/energy systems (\$1,000 per claim) and crime losses (\$500 per claim). Excess property and liability insurance is acquired through membership in a joint powers authority, the Southern California Regional Liability Excess Fund ("SCR"). SCR provides general liability coverage up to \$25,000,000 per occurrence (minus the \$50,000 retention) and property loss coverage up to \$250,000,000 per occurrence (minus the \$5,000 retention). The relationship between the School District and SCR is such that SCR is not a component unit of the School District.

APPENDIX B

**RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA A OF COMMUNITY FACILITIES DISTRICT NO. 15
OF POWAY UNIFIED SCHOOL DISTRICT**

AND

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 15
OF POWAY UNIFIED SCHOOL DISTRICT**

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RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 15 OF POWAY UNIFIED SCHOOL DISTRICT

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes ("Rate and Method of Apportionment") of Community Facilities District No. 15 ("CFD No. 15") of the Poway Unified School District ("School District"). An Annual Special Tax shall be levied on and collected from Taxable Property (defined below) located within the boundaries of CFD No. 15 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. 15, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

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

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

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 15 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including the reasonable expenses of collecting delinquencies, the administration of Bonds, the proportionate payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 15, and reasonable costs otherwise incurred in order to carry out the authorized purposes of CFD No. 15.

"Affordable Unit" means an Attached Unit that is subject to affordable housing restrictions under any applicable law.

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

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 15.

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

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

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

"Attached Unit" means a Unit that is located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit.

"Board" means the Board of Education of Poway Unified School District, or its designee, in certain cases acting as the Legislative Body of CFD No. 15.

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

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

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

"Building Permit" means a permit for the construction of residential or commercial/industrial square footage issued by the City, or another public agency in the event the City no longer issues permits for construction within CFD No. 15.

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

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

"City" means the City of San Diego.

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

"County" means the County of San Diego.

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

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

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

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

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

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

"Homeowner" means any owner of a completed Unit constructed and sold within CFD No. 15.

"Index" means the Marshall & Swift eight (8) California Cities Class B Construction Cost Index, or if the Marshall & Swift eight (8) California Cities Class B Construction Cost Index ceases to be used by the State Allocation Board, a reasonably comparable index used by the State Allocation Board to estimate changes in school construction costs, or in the absence of such an Index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

"Inflator" means the greater of (i) 2.00% or (ii) the percentage change in the Index as measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

"Lot" means an individual legal lot created by a Final Subdivision Map for which a Building Permit for residential construction has been or could be issued.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, which can be levied by CFD No. 15 in any Fiscal Year on any Assessor's Parcel.

"One Time Special Tax" means the single payment Special Tax which shall be levied on each Assessor's Parcel of Undeveloped Property, determined pursuant to Section D.

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

"Prepayment Administrative Fees" means any fees or expenses of the School District or CFD No. 15 associated with the prepayment of the Special Tax obligation of an Assessor's Parcel. Prepayment Administrative Fees shall include among other things the cost of computing the Prepayment Amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption of Bonds.

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

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

"Reserve Fund Credit" means an amount equal to the lesser of (i) the reduction in the applicable reserve fund requirement(s) resulting from the redemption of Bonds with the Prepayment Amount or (ii) 10% of the amount of Bonds which will be redeemed. In the event that a surety bond or other credit instrument satisfies the reserve requirement or the reserve requirement is underfunded at the time of the prepayment no Reserve Fund Credit shall be given.

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

"Senior Citizen Unit" means a Unit designated as senior citizen housing, part of a residential care facility for the elderly, or part of a multilevel care facility for the elderly as referred to in California Government Code Section 65995.1. For the purpose 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 multilevel care facilities as those terms are defined in Health and Safety Code Section 1569.23 and Government Code Section 15432(d)(8), respectively.

"Special Tax(es)" means any of the special taxes authorized to be levied by CFD No. 15 pursuant to the Act.

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

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

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

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

For each Fiscal Year, beginning with Fiscal Year 2012/2013, each Assessor's Parcel within CFD No. 15 shall be classified as Taxable Property or Exempt Property. Each Assessor's Parcel classified as Taxable Property shall be further classified as Developed Property or Undeveloped Property. Developed Property shall be assigned to a special tax classification according to Table 1 below.

**TABLE 1
SPECIAL TAX CLASSIFICATION FOR
DEVELOPED PROPERTY**

Tax Classification	Unit Type	Building Square Footage
Residential Property		
1	Detached Unit	≤ 1,550
2	Detached Unit	1,551 – 1,750
3	Detached Unit	1,751 – 1,950
4	Detached Unit	1,951 – 2,150
5	Detached Unit	2,151 – 2,350
6	Detached Unit	2,351 – 2,550
7	Detached Unit	2,551 – 2,750
8	Detached Unit	2,751 – 2,950
9	Detached Unit	2,951 – 3,150
10	Detached Unit	3,151 – 3,350
11	Detached Unit	3,351 – 3,550
12	Detached Unit	3,551 – 3,750
13	Detached Unit	3,751 – 3,950
14	Detached Unit	3,951 – 4,150
15	Detached Unit	> 4,150
16	Attached Unit	≤ 1,200
17	Attached Unit	1,201 – 1,350
18	Attached Unit	1,351 – 1,500
19	Attached Unit	1,501 – 1,650

TABLE 1 (CONTINUED)

**SPECIAL TAX CLASSIFICATION FOR
DEVELOPED PROPERTY**

Tax Classification	Unit Type	Building Square Footage
20	Attached Unit	1,651 – 1,800
21	Attached Unit	> 1,800
22	Affordable Unit	NA
23	Senior Citizen Unit	NA
Commercial/Industrial Property		
24	NA	NA

**SECTION C
MAXIMUM SPECIAL TAXES**

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property for any Fiscal Year shall be the amount determined by the sum of (i) any portion of the One-Time Special Tax not collected and (ii) the application of the Assigned Annual Special Tax.

2. Undeveloped Property

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

**SECTION D
ONE-TIME SPECIAL TAXES**

A One-Time Special Tax shall be collected for an Assessor's Parcel of Undeveloped Property prior to the time a Building Permit is issued. The One-Time Special Tax shall be determined by reference to Table 2 below, subject to increases as described below.

TABLE 2**ONE-TIME SPECIAL TAX
FISCAL YEAR 2012/2013**

Tax Classification	Unit Type	Building Square Footage	One-Time Special Tax
Residential Property			
1	Detached Unit	≤ 1,550	\$0.00 per Unit
2	Detached Unit	1,551 – 1,750	\$0.00 per Unit
3	Detached Unit	1,751 – 1,950	\$0.00 per Unit
4	Detached Unit	1,951 – 2,150	\$0.00 per Unit
5	Detached Unit	2,151 – 2,350	\$0.00 per Unit
6	Detached Unit	2,351 – 2,550	\$0.00 per Unit
7	Detached Unit	2,551 – 2,750	\$0.00 per Unit
8	Detached Unit	2,751 – 2,950	\$0.00 per Unit
9	Detached Unit	2,951 – 3,150	\$0.00 per Unit
10	Detached Unit	3,151 – 3,350	\$0.00 per Unit
11	Detached Unit	3,351 – 3,550	\$0.00 per Unit
12	Detached Unit	3,551 – 3,750	\$0.00 per Unit
13	Detached Unit	3,751 – 3,950	\$0.00 per Unit
14	Detached Unit	3,951 – 4,150	\$0.00 per Unit
15	Detached Unit	> 4,150	\$0.00 per Unit
16	Attached Unit	≤ 1,200	\$0.00 per Unit
17	Attached Unit	1,201 – 1,350	\$0.00 per Unit
18	Attached Unit	1,351 – 1,500	\$0.00 per Unit
19	Attached Unit	1,501 – 1,650	\$0.00 per Unit
20	Attached Unit	1,651 – 1,800	\$0.00 per Unit
21	Attached Unit	> 1,800	\$0.00 per Unit
22	Affordable Unit	NA	\$13,832.00 per Unit
23	Senior Citizen Unit	NA	\$0.52 per sq. ft.
Commercial/Industrial Property			
24	NA	NA	\$0.52 per sq. ft.

Each July 1, commencing July 1, 2013, the One-Time Special Tax for each Assessor's Parcel of Undeveloped Property shall be increased by the Inflator.

**SECTION E
ASSIGNED ANNUAL SPECIAL TAXES**

1. Newly Developed Property

The Assigned Annual Special Tax for an Assessor's Parcel of Developed Property in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be determined by reference to Table 3 below, subject to increases as described below.

**TABLE 3
ASSIGNED ANNUAL SPECIAL TAX FOR
NEWLY DEVELOPED PROPERTY
FISCAL YEAR 2012/2013**

Tax Classification	Unit Type	Building Square Footage	Assigned Annual Special Tax
Residential Property			
1	Detached Unit	≤ 1,550	\$1,796.42 per Unit
2	Detached Unit	1,551 – 1,750	\$1,886.24 per Unit
3	Detached Unit	1,751 – 1,950	\$1,955.65 per Unit
4	Detached Unit	1,951 – 2,150	\$2,163.87 per Unit
5	Detached Unit	2,151 – 2,350	\$2,253.69 per Unit
6	Detached Unit	2,351 – 2,550	\$2,408.84 per Unit
7	Detached Unit	2,551 – 2,750	\$2,596.64 per Unit
8	Detached Unit	2,751 – 2,950	\$2,686.47 per Unit
9	Detached Unit	2,951 – 3,150	\$2,825.28 per Unit
10	Detached Unit	3,151 – 3,350	\$2,927.35 per Unit
11	Detached Unit	3,351 – 3,550	\$2,980.43 per Unit
12	Detached Unit	3,551 – 3,750	\$3,078.41 per Unit
13	Detached Unit	3,751 – 3,950	\$3,155.98 per Unit
14	Detached Unit	3,951 – 4,150	\$3,286.63 per Unit
15	Detached Unit	> 4,150	\$3,417.28 per Unit

TABLE 3 (CONTINUED)

**ASSIGNED ANNUAL SPECIAL TAX FOR
NEWLY DEVELOPED PROPERTY
FISCAL YEAR 2012/2013**

Tax Classification	Unit Type	Building Square Footage	Assigned Annual Special Tax
16	Attached Unit	≤ 1,200	\$1,506.54 per Unit
17	Attached Unit	1,201 – 1,350	\$1,612.70 per Unit
18	Attached Unit	1,351 – 1,500	\$1,690.27 per Unit
19	Attached Unit	1,501 – 1,650	\$1,796.42 per Unit
20	Attached Unit	1,651 – 1,800	\$1,884.20 per Unit
21	Attached Unit	> 1,800	\$1,955.65 per Unit
22	Affordable Unit	NA	\$0.00 per Unit
23	Senior Citizen Unit	NA	\$0.00 per Unit
Commercial/Industrial Property			
24	NA	NA	\$0.00 per Unit

Each July 1, commencing July 1, 2013, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be increased by the Inflation.

2. 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 such Assessor's Parcel shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

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

Commencing Fiscal Year 2012/2013, and each subsequent Fiscal Year, the Board shall levy the Annual Special Tax on each Assessor's Parcel of Developed Property at the Maximum Special Tax rate applicable to such Assessor's Parcel.

SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAXES

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

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 15 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. Notwithstanding the above, the ability to prepay the Annual Special Tax obligation of an Assessor's Parcel may be suspended, by the Superintendent of the School District or his or her designee, acting in his or her absolute and sole discretion for and on behalf of CFD No. 15, without notice to the owners of property within CFD No. 15 for a period of time, not to exceed sixty (60) days, prior to the scheduled issuance of Bonds by CFD No. 15 to assist in the efficient preparation of the required bond market disclosure. The Prepayment Amount shall be calculated according to the following formula:

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

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

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

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records of CFD No. 15 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

SECTION H
PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

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

1. Partial Prepayment Times and Conditions

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

2. Partial Prepayment Amount

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

$$PP = P_G \times F$$

The terms above have the following meanings:

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

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 15 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

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

**SECTION I
ANNUAL SPECIAL TAX REMAINDER**

In any Fiscal Year which the Annual Special Taxes collected from Developed Property, exceeds the amount needed to make regularly scheduled annual interest and principal payments on outstanding Bonds and pay Administrative Expenses, the School District shall use such amount for acquisition, construction or financing of school facilities in accordance with the Act, CFD No. 15 proceedings and other applicable laws as determined by the Board.

**SECTION J
TERMINATION OF SPECIAL TAX**

Annual Special Taxes shall be levied for a period of thirty-three (33) Fiscal Years after the last series of Bonds have been issued, provided that Annual Special Taxes shall not be levied after Fiscal Year 2055-2056.

**SECTION K
EXEMPTIONS**

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

**SECTION L
APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. In order to be considered sufficient, any notice of appeal must: (i) specifically identify the property by address and Assessor's Parcel Number; (ii) state the amount in dispute and whether it is the whole amount or only a portion of the Special Tax; (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect; (iv) include all documentation, if any, in support of the claim; and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. A representative(s) of CFD No. 15 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) as the representative's decision shall indicate.

SECTION M
MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that CFD No. 15 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until such Special Taxes are paid.

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EXHIBIT A
CFD BOUNDARY MAP

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**RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA A OF
COMMUNITY FACILITIES DISTRICT NO. 15
OF POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes ("Rate and Method of Apportionment") of Improvement Area A ("IA A") of Community Facilities District No. 15 ("CFD No. 15") of the Poway Unified School District ("School District"). An Annual Special Tax shall be levied on and collected from Taxable Property (defined below) located within the boundaries of IA A of CFD No. 15 each Fiscal Year in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in IA A of CFD No. 15, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

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

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

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

"Actual Costs" shall have the meaning given such term in the Second Supplement.

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of IA A of CFD No. 15 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including the reasonable expenses of collecting delinquencies, the administration of Bonds, the proportionate payment of salaries and benefits of any School District employee whose duties are directly related to the administration of IA A of CFD No. 15, and reasonable costs otherwise incurred in order to carry out the authorized purposes of IA A of CFD No. 15.

"Affordable Unit" means an Attached Unit that is subject to affordable housing restrictions under any applicable law.

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

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of IA A of CFD No. 15.

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

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

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

"Attached Unit" means a Unit that is located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit.

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

"Board" means the Board of Education of Poway Unified School District, or its designee, in certain cases acting as the Legislative Body of CFD No. 15.

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

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

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

"Building Permit" means a permit for the construction of one or more Units issued by the City, or another public agency in the event the City no longer issues said permits for the construction of Units within IA A of CFD No. 15. For purposes of this definition, "Building Permit" shall not include permits for construction or installation of structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation or commercial/industrial use.

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

"City" means the City of San Diego.

"City Improvements" shall have the meaning given such term in the Second Supplement.

"County" means the County of San Diego.

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

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

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

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

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

"Homeowner" means any owner of a completed Unit constructed and sold within IA A of CFD No. 15.

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

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, that can be levied by IA A of CFD No. 15 in any Fiscal Year on any Assessor's Parcel.

"Minimum Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of IA A of CFD No. 15, (iii) the costs associated with the release of funds from an escrow account(s) established in association with the Bonds, and (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the Bonds, less (v) any amount(s) available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document. In arriving at the Minimum Annual Special Tax requirement the Board shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year.

"Minimum Taxable Acreage" means the applicable Acreage listed in Table 3 set forth in Section K.

"Net Taxable Acreage" means the total Acreage of all Taxable Property expected to exist in IA A of CFD No. 15 after all Final Subdivision Maps are recorded.

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

"Prepayment Administrative Fees" means any fees or expenses of the School District or IA A of CFD No. 15 associated with the prepayment of the Special Tax obligation of an Assessor's Parcel. Prepayment Administrative Fees shall include among other things the cost of computing the Prepayment Amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption of Bonds.

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

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

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

"Reserve Fund Credit" means an amount equal to the lesser of (i) the reduction in the applicable reserve fund requirement(s) resulting from the redemption of Bonds with the Prepayment Amount or (ii) 10% of the amount of Bonds which will be redeemed. In the event that a surety bond or other credit instrument satisfies the reserve requirement or the reserve requirement is underfunded at the time of the prepayment no Reserve Fund Credit shall be given.

“Second Supplement” shall mean that Second Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement made and entered into as of October 1, 2012 by and between the School District and Black Mountain Ranch LLC.

"Senior Citizen Unit" means a Unit designated as senior citizen housing, part of a residential care facility for the elderly, or part of a multilevel care facility for the elderly as referred to in California Government Code Section 65995.1. For the purpose 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 multilevel care facilities as those terms are defined in Health and Safety Code Section 1569.23 and Government Code Section 15432(d)(8), respectively.

"Special Tax" means any of the special taxes authorized to be levied by IA A of CFD No. 15 pursuant to the Act.

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

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

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

**SECTION B
CLASSIFICATION OF ASSESSOR’S PARCELS**

For each Fiscal Year, beginning with Fiscal Year 2012/2013, each Assessor’s Parcel within IA A of CFD No. 15 shall be classified as Taxable Property or Exempt Property taking into consideration the Minimum Net Taxable Acreage as set forth in Section K. Furthermore, each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property and Developed Property shall be assigned to a special tax classification according to Table 1 below.

**TABLE 1
SPECIAL TAX CLASSIFICATION FOR
DEVELOPED PROPERTY**

Tax Classification	Unit Type	Building Square Footage
1	Detached Unit	≤ 1,550
2	Detached Unit	1,551 – 1,750

TABLE 1 (CONTINUED)

**SPECIAL TAX CLASSIFICATION FOR
DEVELOPED PROPERTY**

Tax Classification	Unit Type	Building Square Footage
3	Detached Unit	1,751 – 1,950
4	Detached Unit	1,951 – 2,150
5	Detached Unit	2,151 – 2,350
6	Detached Unit	2,351 – 2,550
7	Detached Unit	2,551 – 2,750
8	Detached Unit	2,751 – 2,950
9	Detached Unit	2,951 – 3,150
10	Detached Unit	3,151 – 3,350
11	Detached Unit	3,351 – 3,550
12	Detached Unit	3,551 – 3,750
13	Detached Unit	3,751 – 3,950
14	Detached Unit	3,951 – 4,150
15	Detached Unit	> 4,150
16	Attached Unit	≤ 1,200
17	Attached Unit	1,201 – 1,350
18	Attached Unit	1,351 – 1,500
19	Attached Unit	1,501 – 1,650
20	Attached Unit	1,651 – 1,800
21	Attached Unit	> 1,800
22	Affordable Unit	NA
23	Senior Citizen Unit	≤ 1,400
24	Senior Citizen Unit	1,401 – 1,800
25	Senior Citizen Unit	1,801 – 2,200
26	Senior Citizen Unit	> 2,200

**SECTION C
MAXIMUM SPECIAL TAXES**

1. Developed Property

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

2. Undeveloped Property

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

**SECTION D
ASSIGNED ANNUAL SPECIAL TAXES**

1. Developed Property

The Assigned Annual Special Tax in Fiscal Year 2012/2013 for each Assessor's Parcel of Developed Property shall be the amount determined by reference to Table 2 subject to increases as described below.

**TABLE 2
ASSIGNED ANNUAL SPECIAL TAX FOR
DEVELOPED PROPERTY
FISCAL YEAR 2012/2013**

Tax Classification	Unit Type	Building Square Footage	Assigned Annual Special Tax
1	Detached Unit	< 1,550	\$1,909.37 per Unit
2	Detached Unit	1,550 – 1,750	\$2,011.08 per Unit
3	Detached Unit	1,751 – 1,950	\$2,089.68 per Unit
4	Detached Unit	1,951 – 2,150	\$2,325.46 per Unit
5	Detached Unit	2,151 – 2,350	\$2,427.17 per Unit
6	Detached Unit	2,351 – 2,550	\$2,602.85 per Unit
7	Detached Unit	2,551 – 2,750	\$2,815.52 per Unit
8	Detached Unit	2,751 – 2,950	\$2,917.23 per Unit
9	Detached Unit	2,951 – 3,150	\$3,074.42 per Unit

TABLE 2 (CONTINUED)

**ASSIGNED ANNUAL SPECIAL TAX FOR
DEVELOPED PROPERTY
FISCAL YEAR 2012/2013**

Tax Classification	Unit Type	Building Square Footage	Assigned Annual Special Tax
10	Detached Unit	3,151 – 3,350	\$3,190.00 per Unit
11	Detached Unit	3,351 – 3,550	\$3,250.10 per Unit
12	Detached Unit	3,551 – 3,750	\$3,361.06 per Unit
13	Detached Unit	3,751 – 3,950	\$3,448.90 per Unit
14	Detached Unit	3,951 – 4,150	\$3,596.85 per Unit
15	Detached Unit	> 4,150	\$3,744.79 per Unit
16	Attached Unit	< 1,200	\$1,581.12 per Unit
17	Attached Unit	1,200 – 1,350	\$1,701.32 per Unit
18	Attached Unit	1,351 – 1,500	\$1,789.17 per Unit
19	Attached Unit	1,501 – 1,650	\$1,909.37 per Unit
20	Attached Unit	1,651 – 1,800	\$2,008.77 per Unit
21	Attached Unit	> 1,800	\$2,089.68 per Unit
22	Affordable Unit	NA	\$0.00 per Unit
23	Senior Citizen Unit	≤ 1,400	\$1,917.55 per Unit
24	Senior Citizen Unit	1,401 – 1,800	\$2,110.50 per Unit
25	Senior Citizen Unit	1,801 – 2,200	\$2,463.45 per Unit
26	Senior Citizen Unit	> 2,200	\$2,868.17 per Unit

Each July 1, commencing July 1, 2013, 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 the prior Fiscal Year.

2. Undeveloped Property

The Assigned Annual Special Tax rate in Fiscal Year 2012/2013 for an Assessor's Parcel classified as Undeveloped Property shall be \$9,853.86 per acre of Acreage.

Each July 1, commencing July 1, 2013, the Assigned Annual Special Tax per acre of Acreage for each Assessor's Parcel of Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

**SECTION E
BACKUP ANNUAL SPECIAL TAXES**

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property within a Final Subdivision Map in Fiscal Year 2012/2013 or such later Fiscal Year in which such Final Subdivision Map is created shall be the rate per Lot calculated according to the following formula:

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

The terms above have the following meanings:

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

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

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

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

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

SECTION F
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2012/2013, and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

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

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

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

SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAXES

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

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide IA A of CFD No. 15 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. Notwithstanding the above, the ability to prepay the Annual Special Tax obligation of an Assessor's Parcel may be suspended, by the Superintendent of the School District or his or her designee, acting in his or her absolute and sole discretion for and on behalf of CFD No. 15, without notice to the owners of property within IA A for a period of time, not to exceed sixty (60) days, prior to the scheduled issuance of Bonds by IA A of CFD No. 15 to assist in the efficient preparation of the required bond market disclosure. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

1. Prior to the Issuance of Bonds

Prior to the issuance of Bonds, the Prepayment Amount shall be determined by reference to Table 3, subject to increase as described below.

TABLE 3

**PREPAYMENT AMOUNT
PRIOR TO THE ISSUANCE OF BONDS
FISCAL YEAR 2012/2013**

Tax Classification	Unit Type	Building Square Footage	Prepayment Amount
1	Detached Unit	< 1,550	\$24,390.27 per Unit
2	Detached Unit	1,550 – 1,750	\$25,689.52 per Unit
3	Detached Unit	1,751 – 1,950	\$26,693.49 per Unit
4	Detached Unit	1,951 – 2,150	\$29,705.40 per Unit
5	Detached Unit	2,151 – 2,350	\$31,004.65 per Unit
6	Detached Unit	2,351 – 2,550	\$33,248.82 per Unit
7	Detached Unit	2,551 – 2,750	\$35,965.45 per Unit
8	Detached Unit	2,751 – 2,950	\$37,264.70 per Unit
9	Detached Unit	2,951 – 3,150	\$39,272.64 per Unit
10	Detached Unit	3,151 – 3,350	\$40,749.07 per Unit
11	Detached Unit	3,351 – 3,550	\$41,516.81 per Unit
12	Detached Unit	3,551 – 3,750	\$42,934.18 per Unit
13	Detached Unit	3,751 – 3,950	\$44,056.26 per Unit
14	Detached Unit	3,951 – 4,150	\$45,946.09 per Unit
15	Detached Unit	> 4,150	\$47,835.91 per Unit
16	Attached Unit	< 1,200	\$20,197.22 per Unit
17	Attached Unit	1,200 – 1,350	\$21,732.70 per Unit
18	Attached Unit	1,351 – 1,500	\$22,854.78 per Unit
19	Attached Unit	1,501 – 1,650	\$24,390.27 per Unit

TABLE 3 (CONTINUED)

**PREPAYMENT AMOUNT
PRIOR TO THE ISSUANCE OF BONDS
FISCAL YEAR 2012/2013**

Tax Classification	Unit Type	Building Square Footage	Prepayment Amount
20	Attached Unit	1,651 – 1,800	\$25,659.99 per Unit
21	Attached Unit	> 1,800	\$26,693.49 per Unit
22	Affordable Unit	NA	\$0.00 per Unit
23	Senior Citizen Unit	< 1,400	\$24,494.82 per Unit
24	Senior Citizen Unit	1,400 – 1,800	\$26,959.51 per Unit
25	Senior Citizen Unit	1,801 – 2,200	\$31,468.08 per Unit
26	Senior Citizen Unit	> 2,200	\$36,637.92 per Unit

Each July 1, commencing July 1, 2013, the Prepayment Amount for each Assessor's Parcel of Developed Property prior to the issuance of Bonds shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

2. Subsequent to the Issuance of Bonds

Subsequent to the issuance of Bonds the Prepayment Amount shall be calculated according to the following formula:

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

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

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

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records of IA A of CFD No. 15 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the

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

SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

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

1. Partial Prepayment Times and Conditions

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

2. Partial Prepayment Amount

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

$$PP = P_G \times F$$

The terms above have the following meanings:

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

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of IA A of CFD No. 15 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. Additionally, the notice shall indicate that the Assigned Annual Special Tax and the Backup Annual Special Tax if applicable for the Assessor's Parcel has been reduced by an amount equal to the percentage which was partially prepaid.

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

SECTION I ANNUAL SPECIAL TAX REMAINDER

In any Fiscal Year prior to the issuance of Bonds which the Annual Special Taxes collected from Developed Property, pursuant to Step 1 of Section F, exceeds the Minimum Annual Special Tax Requirement such amount shall be used to pay Actual Costs of City Improvements. After the issuance of Bonds, the School District shall use such amounts for acquisition, construction or financing of school facilities in accordance with the Act, IA A of CFD No. 15 proceedings and other applicable laws as determined by the Board.

SECTION J TERMINATION OF SPECIAL TAX

Annual Special Taxes shall be levied for a period of thirty-three (33) Fiscal Years after the last series of Bonds have been issued, provided that Annual Special Taxes shall not be levied after Fiscal Year 2055-2056.

SECTION K EXEMPTIONS

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels owned by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels developed or expected to be developed exclusively for non-residential use, including any use directly servicing any non-residential property, such as parking, as reasonably determined by the Board, and (vi) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage to less than the Minimum Net Taxable Acreage listed in Table 4 below. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Minimum Net Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Taxable Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

TABLE 4

MINIMUM NET TAXABLE ACREAGE

Taxable Acres
56.83 Acres

**SECTION L
APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. In order to be considered sufficient, any notice of appeal must: (i) specifically identify the property by address and Assessor's Parcel Number; (ii) state the amount in dispute and whether it is the whole amount or only a portion of the Special Tax; (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect; (iv) include all documentation, if any, in support of the claim; and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. A representative(s) of IA A of CFD No. 15 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) as the representative's decision shall indicate.

**SECTION M
MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that IA A of CFD No. 15 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until such Special Taxes are paid.

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EXHIBIT A
CFD BOUNDARY MAP

APPENDIX C
APPRAISAL REPORT

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Stephen G. White, MAI



Real Estate Appraiser

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

July 11, 2014

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

Re: CFD No. 15, Improvement Area A
(Del Sur East)

Attn: Sandra G. Burgoyne
Planning Director

Dear Ms. Burgoyne:

This is a Supplemental Letter to the Appraisal Report dated April 18, 2014, with a date of value of April 1, 2014 on the taxable properties within Improvement Area A of the above-referenced Community Facilities District. The purpose of this Supplemental Letter is to complete updated research and analysis of sufficient adequacy so as to estimate if the current market values of the subject properties are "at least as high as" the concluded values in the Appraisal Report dated April 18, 2014. The considerations of this Supplemental Letter as well as the conclusions are summarized in the following:

Residential Market: In the Highest and Best Use section of the Appraisal Report dated April 18, 2014, the discussion of the study prepared by Empire Economics indicated that unemployment rates had been reduced such that the housing market had been able to recover. In addition, further new employment gains would provide the housing market with added momentum. The unemployment rates indicated in the Empire Economics study were 8.0% for the State, 7.0% for San Diego County and 4.1% for the City of Poway.

It is noted that the most recent available unemployment rates are 7.1% for the State, 5.8% for San Diego County and 3.4% for Poway. Thus, it is evident that unemployment has continued to go down State-wide as well as in the immediate subject area of Del Sur, which would provide support for the continuing momentum of the housing market in general and demand for new homes in particular.

Hawthorne: As of the April 1, 2014 date of value, there were 23 completed-sold homes, 4 completed-unsold homes (including the 3 models), 18 homes under construction (6 @ 90% completion, 6 @ 40% completion, 6 @ 20% completion), and 4 vacant lots in near finished condition. In contrast, as of July 3, 2014 there were 36 completed-sold homes, 9 completed-unsold homes (including the 3 models), and 4 homes under construction that were about 50% completed, and no remaining

vacant lots. It is noted that there were 7 pending sales with 6 homes remaining to be sold. Thus, a significant amount of additional home sales and construction has taken place since April 1, 2014.

In terms of the home pricing, as of April 1, 2014 the 23 completed-sold homes indicated an average net price of \pm \$858,000 for an average home size of 2,732 s.f. In addition, the 13 pending sales at that time indicated an average net price of \pm \$872,000 for an average home size of 2,787 s.f., or slightly larger than for the completed-sold homes. However, the 13 additional sales that closed since April 1 indicated the higher average net price of \pm \$889,000 and for a slightly smaller average home size of 2,755 s.f. It is noted that 2 of these 13 sales were negotiated in mid May 2014, and the other 11 were negotiated from November 2013 through March 2014.

In addition, as of June 30, 2014 there were 7 pending sales that indicated the net price range of \$843,890 to \$1,000,825 or an average of \pm \$903,000 for an average home size of 2,835 s.f. It is noted that the average price is significantly higher than for the earlier closed sales, but the average home size is also somewhat larger.

Next, it is noted that resales from the west part of the Del Sur community were considered in the April 18, 2014 report, and those 7 resales which closed from November 4, 2013 through April 2, 2014 indicated the price range of \$740,000 to \$835,000 or an average of \pm \$790,000 for an average home size of 2,755 s.f. An updated search for resales resulted in the following more recent sales data:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	16053 Oxford Hill	4/11/14	\$790,000	2,262	2011	3,895	Good/upgraded condition
2	8280 Katherine Claire Ct.	4/18/14	\$750,000	2,478	2006	4,420	Good/upgraded condition
3	15865 Concord Ridge Terr.	5/16/14	\$810,000	3,000	2007	5,250	Good/upgraded condition
4	16058 Wayne Hill	6/6/14	\$800,000	2,415	2010	4,305	Good/upgraded condition
5	8464 Lower Scarborough Ct.	6/20/14	\$1,060,000	3,278	2011	7,730	Good/upgraded condition
6	15574 New Park Terrace	6/20/14	\$835,000	3,156	2009	5,500	Good/upgraded condition
7	8273 Austin Hill Ct.	6/27/14	<u>\$849,000</u>	<u>2,861</u>	2009	5,020	Good/upgraded condition
			\pm \$842,000	2,779			(Avg.)

It is noted that the average price of \$842,000 is 6.6% higher than the average of \$790,000 from the earlier sales, with the average home size being less than 1% larger than for the earlier sales.

Lastly, it is noted that as of April 1, 2014 the remaining costs to complete to get all lots to a fully finished condition were indicated to be \$649,000, but as of July 2, 2014 the remaining costs are indicated to be \$92,000 or a reduction of \$557,000.

In summary, based on the additional closed sales and home construction, the indicated increase in new and resale home pricing, and the decrease in remaining costs to complete, it is well supported that the current values for the Hawthorne product type are at least as high as concluded in the Appraisal Report dated April 18, 2014.

Garretson: As of the April 1, 2014 date of value, there were 4 buildings comprising 24 townhomes that were under construction and estimated to be about 10% completed. In contrast, as of July 3, 2014 there were 6 completed townhomes (the models), 33 townhomes under construction of which 18 were estimated to be 70% complete, 9 were estimated to be 30% complete and 6 were estimated to be 10% complete, and 6 vacant lots. Thus, a significant amount of construction has taken place since April 1, 2014.

In addition, it was noted in the April report that the pending sales at that time indicated an average price of \pm \$531,000. However, there now are 28 pending sales that are scheduled to close from late July through mid November 2014 at net prices ranging from \$490,216 to \$655,175 or the higher average of \pm \$559,000.

Regarding the valuation of the vacant lots, I am aware of no additional land sales beyond those discussed in the April report. However, based on the finished lot ratio of 43% as discussed in the April report, the higher indicated average net price from the pending sales would support a higher indication for the vacant lots as if in finished condition. Then, it is noted that as of April 1, 2014 the remaining costs to complete to get all lots to a fully finished condition were \$1,850,000, but as of July 2, 2014 the remaining costs are about \$836,000, or a reduction of \$1,014,000, but also reflecting fewer remaining vacant lots.

In summary, based on the significant amount of additional home construction, the significant number of pending sales demonstrating strong demand for this product type, and the significant decrease in the remaining costs to complete, it is well supported that the current values for the Garretson product type are at least as high as concluded in the Appraisal Report dated April 18, 2014.

Prado: As of the April 1, 2014 date of value, there were 3 model homes under construction and about 10% completed, plus 60 vacant lots in a semi-finished condition. In contrast, as of July 3, 2014 the 3 models were completed and there were an additional 30 homes under construction of which 18 were about 30%

complete and 12 were about 15% complete, plus the 30 remaining vacant lots. Thus, a significant amount of construction has taken place since April 1, 2014. In addition, it is noted that there are 11 pending sales that are scheduled to close from late September through early November 2014 at net prices ranging from \$664,675 to \$834,564 or an average of \pm \$738,000.

Regarding the valuation of the vacant lots, similar to the discussion for the Garretson product type it is concluded that lot values as if in finished condition have at least remained stable or increased slightly over the past \pm 3 months. Then, it is noted that as of April 1, 2014 the remaining costs to complete to get all lots to a fully finished condition were \$3,506,000, but as of July 2, 2014 the remaining costs are reported to be \$1,765,000. This indicates a fairly significant reduction of \$1,741,000 in land development costs expended, and also reflecting fewer remaining vacant lots.

In summary, based on the significant amount of additional home construction, the significant number of pending sales demonstrating strong demand for this product type, and the significant decrease in the remaining costs to complete, it is well supported that the current values for the Prado product type are at least as high as concluded in the Appraisal Report dated April 18, 2014.

Carrillo: As of the April 1, 2014 date of value, there were 26 completed-sold homes, 4 completed-unsold homes (including the 3 models), 19 homes under construction (8 @ 70% completion, 7 @ 60% completion, 4 @ 20% completion), and 3 vacant lots in near finished condition. In contrast, as of July 3, 2014 there were 42 completed-sold homes, 7 completed-unsold homes (including the 3 models), and 3 homes under construction that were about 50% completed, with no remaining vacant lots. It is noted that there were 7 pending sales with 3 homes remaining to be sold. Thus, a significant amount of additional home sales and construction has taken place since April 1, 2014.

In terms of the home pricing, as of April 1, 2014 the 26 completed-sold homes indicated an average net price of \pm \$776,000 for an average home size of 2,695 s.f. In addition, the 19 pending sales at that time indicated an average net price of \pm \$798,000 for an average home size of 2,716 s.f., or slightly larger than for the completed-sold homes. Similarly, the 16 additional sales that closed since April 1 indicated an average net price of \pm \$799,000 and for an average home size of 2,718 s.f. It is noted that all 16 of these additional closed sales were negotiated from October 2013 through March 2014.

In addition, as of June 30, 2014 there were 7 pending sales that indicated the net price range of \$767,155 to \$869,057 or an average of \pm \$827,000 for an average

MS. SANDRA G. BURGOYNE
JULY 11, 2014
PAGE 5

home size of 2,747 s.f. It is noted that the average price is significantly higher than for the earlier closed sales, but the average home size is also somewhat larger.

As previously discussed for the Hawthorne product type, the resales in the west part of the Del Sur community indicated a significant price increase for only a slightly larger average home size.

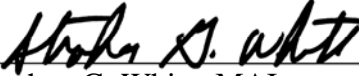
Lastly, it is noted that as of April 1, 2014 the remaining costs to complete to get all lots to a fully finished condition were indicated to be \$619,000, but as of July 2, 2014 the remaining costs are indicated to be about \$438,000 or a reduction of \$181,000.

In summary, based on the additional closed sales and home construction, the indicated increase in new and resale home pricing, and the decrease in remaining costs to complete, it is well supported that the current values for the Carrillo product type are at least as high as concluded in the Appraisal Report dated April 18, 2014.

Conclusion: Based on the foregoing, and considering the significant amount of additional closed and pending home sales, the significant amount of home construction and land development that has occurred, the indicated increases in home pricing as well as the general market conditions, I have concluded that the current aggregate market values for the four separate product types are at least as high as the concluded values in the Appraisal Report dated April 18, 2014 with a date of value of April 1, 2014.

As previously indicated, this is a Supplemental Letter to the Appraisal Report dated April 18, 2014. Reference is made to that 48-page report for the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation and market data.

Sincerely,



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

SGW:sw
Ref: 14007

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SUMMARY APPRAISAL REPORT

COVERING

Poway Unified School District
CFD No. 15, Improvement Area A
(Del Sur East)

DATE OF VALUE:

April 1, 2014

SUBMITTED TO:

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

Attn: Sandra G. Burgoyne
Planning Director

DATE OF REPORT:

April 18, 2014

SUBMITTED BY:

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

Stephen G. White, MAI



Real Estate Appraiser

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April 18, 2014

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

Re: CFD No. 15, Improvement Area A
(Del Sur East)

Attn: Sandra G. Burgoyne
Planning Director

Dear Ms. Burgoyne:

In accordance with your request and authorization, I have completed an appraisal of the taxable properties within Improvement Area A of the above-referenced Community Facilities District (CFD). The taxable properties in Improvement Area A will consist of a total of 209 dwelling units within four separate product types of attached (45 units) and detached homes (164 units), all being built by Standard Pacific Homes. Two of the product types are partially built-out with many closed sales and the other two are in the early stage of construction. The 209 taxable properties are categorized as follows:

<u>Product Type</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>	<u>Total Lots</u>
Hawthorne	27	18	4	49
Garretson	0	24	21	45
Prado	0	3	60	63
Carrillo	<u>30</u>	<u>19</u>	<u>3</u>	<u>52</u>
	57	64	88	209

The purpose of this appraisal is to estimate the aggregate market value of the as is condition of the properties within each of the four product types, reflecting the status of completed-sold homes (closed sale to homeowner), completed-unsold homes (builder-owned), homes under construction and vacant lots. The appraised values are also allocated to Developed Property (lots for which a building permit had been issued as of the April 1, 2014 date of value for the appraisal) and Undeveloped Property. In addition, this appraisal reflects the proposed CFD bond financing, as well as the overall tax rates of up to 1.9% reflecting the current home pricing and including special taxes for this CFD and other overlapping debt.

MS. SANDRA G. BURGOYNE
 APRIL 18, 2014
 PAGE 2

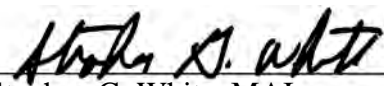
Based on the general inspections of the subject properties and analysis of matters pertinent to value, the following conclusions of market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of April 1, 2014:

Product Type	No. Lots	Developed	Undeveloped	Market Value
Hawthorne				
Individual Owners (Completed-Sold Homes):	23	\$19,780,000	\$0	\$19,780,000
Builder Ownership (Completed-Unsold Homes):	4	\$3,180,000	\$0	\$3,180,000
Builder Ownership (Homes Under Construction):	18	\$9,150,000	\$0	\$9,150,000
Builder Ownership (Vacant Lots):	<u>4</u>	<u>\$0</u>	<u>\$990,000</u>	<u>\$990,000</u>
	49	\$32,110,000	\$990,000	\$33,100,000
Garretson				
Builder Ownership (Homes Under Construction):	24	\$5,880,000	\$0	\$5,880,000
Builder Ownership (Vacant Lots):	<u>21</u>	<u>\$2,980,000</u>	<u>\$0</u>	<u>\$2,980,000</u>
	45	\$8,860,000	\$0	\$8,860,000
Prado				
Builder Ownership (Homes Under Construction):	3	\$945,000	\$0	\$945,000
Builder Ownership (Vacant Lots):	<u>60</u>	<u>\$5,796,000</u>	<u>\$8,694,000</u>	<u>\$14,490,000</u>
	63	\$6,741,000	\$8,694,000	\$15,435,000
Carrillo				
Individual Owners (Completed-Sold Homes):	26	\$20,540,000	\$0	\$20,540,000
Builder Ownership (Completed-Unsold Homes):	4	\$2,960,000	\$0	\$2,960,000
Builder Ownership (Homes Under Construction):	19	\$8,675,000	\$0	\$8,675,000
Builder Ownership (Vacant Lots):	<u>3</u>	<u>\$460,000</u>	<u>\$0</u>	<u>\$460,000</u>
	52	\$32,635,000	\$0	\$32,635,000
TOTALS	209	\$80,346,000	\$9,684,000	\$90,030,000

(NINETY MILLION THIRTY THOUSAND DOLLARS)

The following is the balance of this 48-page Summary Appraisal Report which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation and market data from which the value conclusions were derived.

Sincerely,


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

SGW:sw
 Ref: 14007

TABLE OF CONTENTS

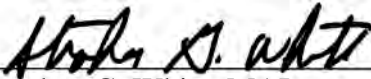
	PAGES
Certification	5
Assumptions and Limiting Conditions	6-7
Purpose and Intended Use/User of the Appraisal, Scope of the Appraisal, Date of Value, Property Rights Appraised, Definition of Market Value, Definition of Mass Appraisal, Definition of Finished Lot, Exposure Time	8-9
 GENERAL PROPERTY DATA	
Location Map, Location, General Area Description, Overview of Del Sur, Streets and Access, Utilities, Zoning/General Plan/ Approvals, Drainage/Flood Hazard, Topography/Views, Soil/Geologic Conditions, Environmental Conditions, Title Report, Highest and Best Use	10-16
HAWTHORNE	17-28
GARRETSON	29-33
PRADO	34-38
CARRILLO	39-45
 ADDENDA	
Qualifications of Appraiser.....	46-48

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- I have made a general inspection of the properties that are the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this Certification, except for data research by my associate, Kirsten Patterson.
- I have performed no services, as an appraiser or in any other capacity, regarding the subject properties within the three-year period prior to accepting this assignment.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

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



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

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

ASSUMPTIONS AND LIMITING CONDITIONS, Continuing

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

12. Possession of this report, or a copy thereof, does not carry with it the right of publication, unless otherwise authorized. It is understood and agreed that this report will be utilized in the Preliminary Official Statement and the Official Statement relating to the special tax bonds of the CFD, as part of the CFD bond issuance.
13. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the properties in question unless arrangements have previously been made.
14. An estimate of the remaining costs and fees to get the vacant subject lots from their as is condition to finished lots has been provided by the developer, and these estimates have been relied upon in this appraisal as being reasonably accurate and reliable.
15. The valuation has reflected the proposed CFD bond financing, though it is noted that none of the remaining costs to complete (to finished lot condition) will be funded by the CFD bond proceeds.

PURPOSE AND INTENDED USE/USER OF THE APPRAISAL

The purpose of this appraisal is to estimate the aggregate market value by product type of the as is condition of the taxable property located within Community Facilities District No. 15, Improvement Area A (Del Sur East) of the Poway Unified School District, reflecting the proposed CFD bond financing. It is intended that this Summary Appraisal Report is to be used by the client, the financing team and others as required in the planned CFD bond issuance.

SCOPE OF THE APPRAISAL

It is the intent of this appraisal that all appropriate data considered pertinent in the valuation of the subject properties be collected, confirmed and reported in a Summary Appraisal Report, in conformance with the Uniform Standards of Professional Appraisal Practice and the guidelines of the California Debt and Investment Advisory Commission. This has included a general inspection of the subject properties and their surroundings; obtaining of pertinent property data on the subject properties, including review of various maps and documents relating to the properties and the existing and planned development; obtaining of comparable home and land sales from a variety of sources; and analysis of all of the data to the value conclusions.

DATE OF VALUE

The date of value for this appraisal is April 1, 2014.

PROPERTY RIGHTS APPRAISED

This appraisal is of the fee simple interest in the subject properties, subject to the CFD special tax lien and other assessment liens.

DEFINITION OF MARKET VALUE

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

DEFINITION OF MASS APPRAISAL

The process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing. (The Dictionary of Real Estate Appraisal, Fifth Edition)

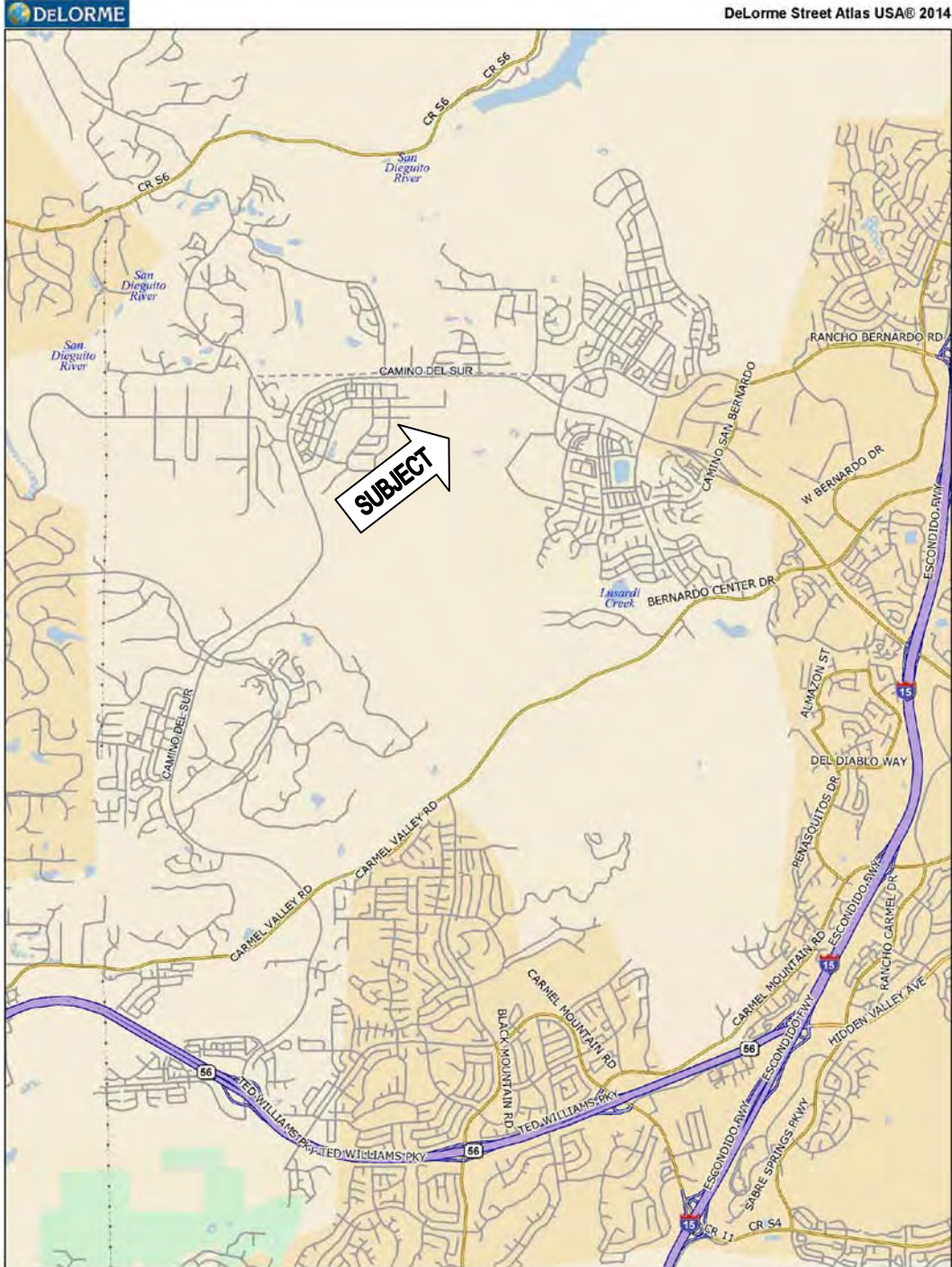
DEFINITION OF FINISHED LOT

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

EXPOSURE TIME

This is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date or date of value of the appraisal. Assuming a reasonable marketing effort and at or reasonably near market value, I have concluded that the exposure time for the completed homes as well as for the homes under construction and the vacant lots would have been within 3 months for a sale to be negotiated, and 1 to 2 more months for the sales of completed homes to close and up to 3 months for the sales of homes under construction and vacant lots to close.

LOCATION MAP



Data use subject to license.

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www.delorme.com



Scale 1 : 50,000



GENERAL PROPERTY DATA

LOCATION

The map on the previous page indicates the approximate location of the community of Del Sur, which lies to the south of Camino Del Sur and west of Black Mountain Rd., and on both sides of Camino Del Sur where it curves to the south. This location is at the northerly end of the City of San Diego and about 2½ miles west of the 15 Freeway, ±8 miles inland of the ocean and ±20 miles north of downtown San Diego. The subject properties consisting of the four neighborhoods or product types of homes are located in the east central part of Del Sur.

GENERAL AREA DESCRIPTION

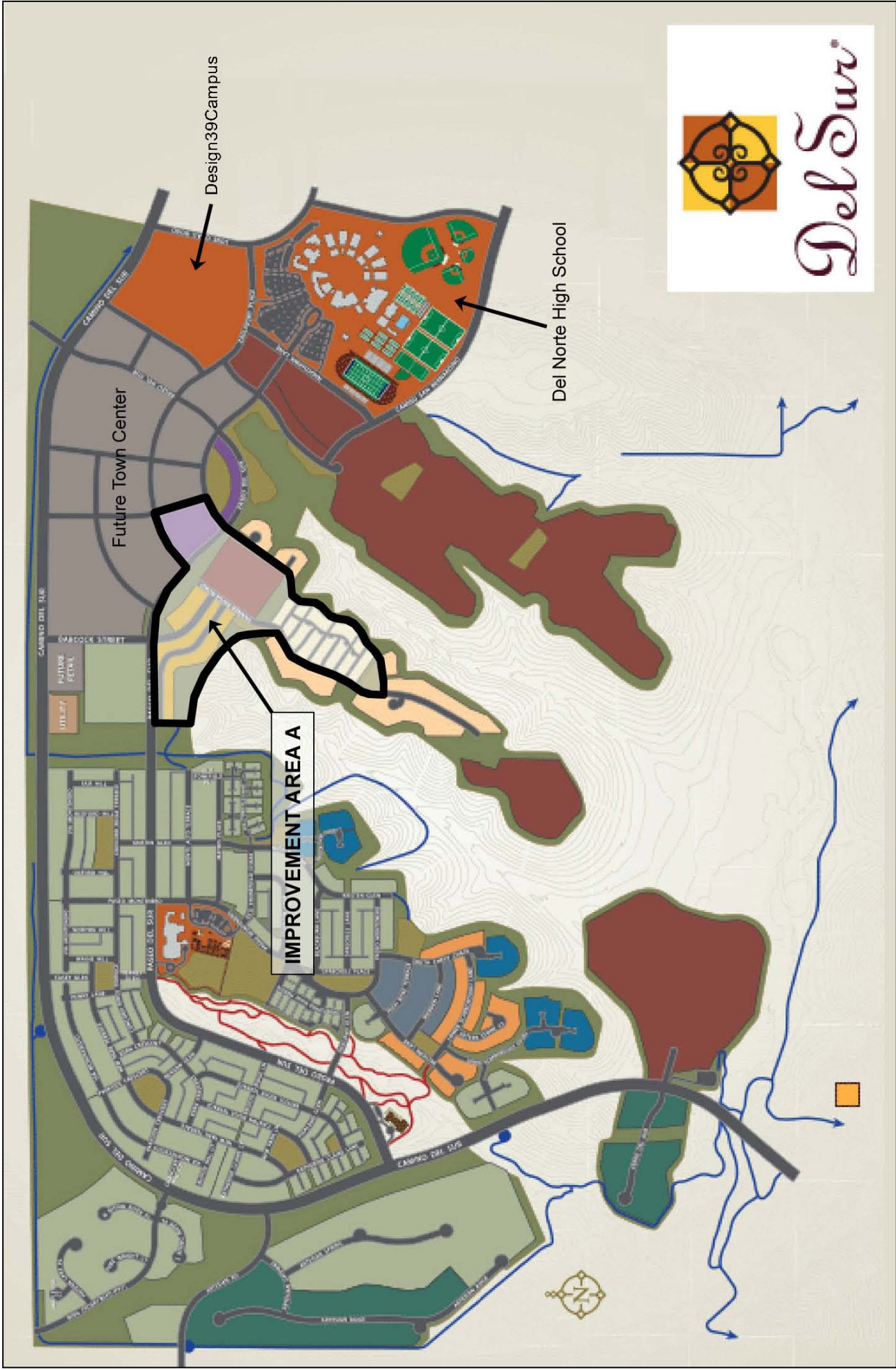
The area to the north of Del Sur is mostly a residential area that also includes much undeveloped-open space land within watercourses and sloping areas up into the hills. To the northwest is the Lakes Above Rancho Santa Fe which is a guard-gated luxury-oriented community of relatively large homes on large lots that lies along the eastern edge of Rancho Santa Fe. This community will include about 360 homes at build-out, and includes the significant amenity of four small lakes with various creeks and waterfalls between the lakes. To the north of the center of Del Sur is the K-12 campus of Maranatha Christian Schools, and to the north/northeast of Del Sur are three gated neighborhoods of estate homes plus much open space.

To the east of Del Sur is Del Norte High School and the community of 4S Ranch. The 4S Ranch community extends north and south from Camino Del Norte (the easterly extension of Camino Del Sur), and is a mixed-use master planned community that contains ±2,900 acres and is nearing build-out with over 4,000 dwelling units and much retail space. It also includes amenities of many parks, much open space, public greens, hiking/biking trails, plus four schools.

To the south of Del Sur is the large area of hilly open space of Black Mountain Ranch and then the community of Santaluz which lies to the south/southwest. It is a private guard-gated community that comprises approximately 4,000 acres, including over 1,000 acres of open space with ridgelines, deep ravines and gentle hillsides. The community will comprise about 900 homes that range up to large estate homes on custom view lots. There is also a golf course in the center of the community, plus an 11-acre village green including community pool, tennis courts and fitness center.

To the west of Del Sur is the Santa Fe Hills area within unincorporated San Diego County, which is a semi-rural residential area with fairly sparse development and much undeveloped land.

Del Sur is a desirable residential community due to its relatively close-in location to central San Diego, the good freeway proximity and arterial road access, much open space, and the availability of schools, shopping and recreational amenities.



Design39 Campus

Del Norte High School

Future Town Center

IMPROVEMENT AREA A



OVERVIEW OF DEL SUR

Del Sur comprises the northerly portion and the final phase of development of the 4,677-acre historic Black Mountain Ranch. It is a mixed-use master planned community that will ultimately contain over 2,500 dwelling units ranging from large custom estates to affordable apartments. A Town Center is also planned that will offer an assortment of shops, restaurants and professional services. The community is well served with schools including Del Sur Elementary School, a new K-8 school (Design39Campus) that is due to open in August 2014 and Del Norte High School which borders Del Sur and 4S Ranch.

Amenities of the community include neighborhood parks, of which there are currently 9 and ultimately will be 13 at build-out. Each park is different, with features including solar-heated pools, playgrounds, large open lawn areas, central plaza, amphitheatre, bocce ball courts and picnic areas. In addition, there are 18 miles of trails that connect the community to the schools and to the 1,000 acres of open space with the additional 4,000 acres of the adjacent Black Mountain Preserve.

The overall Black Mountain Ranch project, of which Del Sur comprises the northerly portion, obtained various development approvals dating back to 1988. The Subarea Plan that included Del Sur was approved by the San Diego City Council in 1998. Additional approvals were obtained in 2001, and final "A" tract maps were recorded in 2004. The first development in Del Sur took place in the west part of the community, with the first land sales to merchant builders closing in mid 2005, construction of homes beginning in late 2005 and the first closed sales of completed homes taking place in 2006. The community is nearing 50% build-out, and final build-out is expected to occur in 2018/2019.

It is noted that the subject property within CFD No. 15 comprises only the easterly part of Del Sur. As previously indicated, the subject property comprises only residential land which is to be developed with four product types comprising a total of 209 dwelling units, including 101 detached homes and 108 attached homes.

STREETS AND ACCESS

The primary access to Del Sur is by Camino Del Sur which extends across the north side and through the west part of the community. It becomes Camino Del Norte to the east and provides freeway access with an interchange at the 15 Freeway. Camino Del Sur also curves to the south through the west part of the community and provides freeway access with an interchange at the 56 (Ted Williams) Freeway.

Direct access to the subject area is by Babcock St. which extends south from Camino Del Sur to Paseo Del Sur, and also connecting with Tanner Ridge Rd. and Potomac Ridge Rd. Paseo Del Sur also provides access to this area from the west part of the community.

UTILITIES

The utilities for the community are provided as follows:

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

ZONING/GENERAL PLAN/APPROVALS

The zoning designations are: RX-1-2 (Residential-Small Lot) for the Hawthorne and Prado product types which permits attached and detached homes on 3,000 s.f. minimum lots; RM-2-6 (Residential-Multiple) for the Garretson product type which permits multiple dwelling unit development at a density of 1 dwelling unit per 1,250 s.f. of lot area (± 35 units per acre); and RS-1-14 (Residential-Single Unit) for the Carrillo product type which permits single dwelling units on 5,000 s.f. minimum lots.

The land use designations on the Black Mountain Ranch Subarea Plan are: Peripheral Residential (5-10 units per acre) for the Hawthorne and Garretson product types; Core Residential (10-25 units per acre) for the Prado product type; and Low Residential (2-5 units per acre) for the Carrillo product type.

More specific approvals for the subject developments are by the approved and recorded tract maps as follows: Map No. 15875 recorded July 26, 2012 for the Carrillo product type; Map No. 15908 recorded March 25, 2013 for the Hawthorne product type; Map No. 15919 recorded June 3, 2013 for the Garretson product type; and Map No. 15950 recorded October 31, 2013 for the Prado product type.

DRAINAGE/FLOOD HAZARD

Drainage is within master-planned facilities that have been constructed throughout the community and the area drainage is generally to the south/southwest. Per FEMA Flood Insurance Rate Map No. 060295-06073C1070G dated 5/16/12, all of the subject properties are within Zone X which indicates areas determined to be outside of the 100-year flood plain, and outside of the Special Flood Hazard Area.

TOPOGRAPHY/VIEWS

The subject properties are located on a fairly flat plateau area from which a canyon area slopes down to the southwest from the Hawthorne neighborhood and another canyon area slopes down to the southwest from the east side of the Carrillo neighborhood, east from Potomac Ridge Rd. In addition, the subject properties generally terrace down to the southwest. However, there are views over the canyon open space and general territorial views to a limited number of the subject Hawthorne and Carrillo homes.

SOIL/GEOLOGIC CONDITIONS

This appraisal has assumed that all necessary grading and compacting has been properly completed by the master developer and the builder, and that there are no abnormal soil or geologic conditions that would affect the continued development of the land as planned. It is also noted that the subject properties are not within an Earthquake Study zone.

ENVIRONMENTAL CONDITIONS

An Environmental Impact Report (EIR) on Black Mountain Ranch Subarea I was certified in 1998, and Addendums to this report have subsequently also been certified. It is noted that the Black Mountain Ranch North Village project was included in the approved negotiated project list of the City's Multiple Species Conservation Plan Subarea Plan. Thus, the requirement for the Multiple Species Conservation Program has been satisfied. In addition, all other required environmental issues were studied and mitigated as part of the approvals for development of the Del Sur community.

TITLE REPORT

Preliminary Reports by First American Title Company on each of the four subject product types or neighborhoods have been reviewed. These reports were dated from March 6 to 28, 2014 and updated April 4, 2014. Exceptions to title include the following:

- The lien of special tax for Community Facilities District No. 8 (Black Mountain Ranch Phase II) recorded September 26, 2000 and modified November 17, 2000 (Note: this CFD has been replaced by CFD No. 15).
- The lien of special tax for Community Facilities District No. 15 (Del Sur East) Improvement Area A as recorded December 27, 2012.
- Notice of Assessment Lien for Black Mountain Ranch Amended District diagram Plat No. 4092, recorded February 7, 2006.
- Various easements to San Diego Gas & Electric Company for utilities including electric & communication facilities and pipelines recorded in 2005, 2012 and 2013.
- An easement to Cox Communications California, LLC for underground telecommunication equipment recorded in July 2013.
- Various easements to the City of San Diego for public street and incidental purposes recorded in 2007 and 2012.
- Various easements to the City of San Diego for public and general utilities recorded in 2011.

It is noted that all of these exceptions are fairly typical for a community such as Del Sur, including the overlapping CFD's as well as the various easements that are fairly typical on tract maps. It has further been assumed that there are no other exceptions to title which would have a negative impact on the continuing use and/or development of the subject properties as planned.

HIGHEST AND BEST USE

The term highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Furthermore, the highest and best use of land or a site as though vacant is defined as among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination.

In terms of legal permissibility, the existing and planned residential development on the subject lots is permitted by the zoning and subarea plan as well as by the entitlements represented by the recorded tract maps. In terms of physical possibility, the existing and planned residential development was and is possible due to the lots that are in finished or near finished condition.

In terms of the financial feasibility and maximum productivity, it is noted that at the appropriate price points there has been strong demand and good sales activity in the three subject product types that have been marketed thus far – Hawthorne, Garretson and Carrillo. This includes 49 closed sales of the Hawthorne and Carrillo homes from October 2013 through March 2014 plus 34 additional pending sales, and 13 pending sales of the Garretson homes that have been open for sale since December 2013. It is also anticipated that there will be good demand and sales activity for the future Prado homes, as evidenced by the good resales activity of similar existing product types in the west part of the Del Sur community.

Additional support to the financial feasibility is provided by The Price Point and Market Absorption Study completed by Empire Economics and dated April 18, 2014. This Study indicates that the current level of employment in San Diego County is now surpassing the prior peak level attained in 2007, which has enabled the housing market to recover, and additional new employment gains will provide the housing market with further momentum. In addition, the City of Poway, which is in close proximity to the subject area, has an unemployment rate of only 4.1% which is significantly below the rates of 7.0% for San Diego County and 8.0% for the State.

This Study also concludes that the pricing of the four product types in CFD No. 15, Improvement Area A are regarded as being competitive in the marketplace. Lastly, the estimated absorption schedules for the four product types reflect strong sales activity, with Hawthorne, Carrillo and Garretson being sold out in 2014 and Prado being sold out in 2015.

In summary, I have concluded that the highest and best use for the subject properties is as improved for the completed homes, and as proposed for the homes currently under construction and for the vacant lots.



HAWTHORNE

at DEL SUR



LEGEND



A = SPANISH
B = CALIFORNIA BUNGALOW
C = SAN JUAN RUSTIC

PLAN 1 - ANDERTON
PLAN 2 - ROYCROFT

PLAN 3 - PIEDMONT



STANDARD PACIFIC HOMES

This site plan is not intended as a legal description of the property. The depiction of boundaries and building footprints is meant to serve as a general guide. The actual boundaries and building footprints will differ to some extent from the above depiction. Legal descriptions are available for your information. Plans are subject to change. Ask a Sales Representative for details. (6/15)



Del Sur
a home by

HAWTHORNE

PROPERTY DATA

Location

This product type is located along Atkins Pl. and Babcock St. westerly from Tanner Ridge Rd. and southerly of Paseo Del Sur.

Record Owner/Ownership History

As of the April 1, 2014 date of value, individual homeowners owned 23 of the lots (Lots 8 to 16, 30 to 37 & 38 to 43) and the remaining 26 lots were owned by SPIC Del Sur, LLC (Lots 1 to 7, 17 to 29, 44 to 46 & 50 to 52).

Black Mountain Ranch, LLC owned the land for the overall Del Sur community for many years. A bulk land purchase contract to SPIC Del Sur, LLC was executed in September 2012 that comprised 1,399 lots/units including this subject neighborhood, and the sale of the 49 subject lots closed on September 30, 2012 at the price of \$8,459,650 or \$172,646 per lot with the land in a mass graded condition.

The sales of the 23 completed homes from SPIC Del Sur, LLC to the individual homeowners closed from November 7, 2013 through March 31, 2014 at net sale prices ranging from \$751,900 to \$946,919. Thus far, there have been no resales.

Legal Description

The 49 lots comprising this product type are described as Lots 1 to 46 & 50 to 52 of the Resubdivision of Black Mountain Ranch North Unit No. 14, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15908 filed in the Office of the County Recorder on March 25, 2013.

Assessor Data-2013/14

The 49 lots comprise Assessor Parcel Nos. 678-686-01 to 49. Due to the recent mapping of the subject neighborhood, assessed values are not yet available for these parcels. The tax rate area is 08-050 which indicates a current tax rate of 1.04460%, with an effective tax rate of up to 1.9% including special taxes for this CFD.

No. of Lots/Lot Sizes

This product type comprises a total of 49 lots. These lots are $\pm 4,100$ s.f. minimum size with minimum dimensions of 50' by 82' or 51' by 80'. Many of the lots are larger and up to $\pm 7,000$ s.f.

PROPERTY DATA, Continuing

Existing and Planned Development/Status of Construction

The 49 lots are currently being developed by Standard Pacific Homes with a product type of homes called Hawthorne at Del Sur. As of the April 1, 2014 date of value, there were 23 completed-sold homes (closed sales), 4 completed-unsold homes (including the 3 models), 18 homes under construction, and 4 vacant lots in near finished condition. Of the 18 homes under construction, 6 were indicated to be about 90% completed, 6 were indicated to be about 40% completed and 6 were indicated to be about 20% completed.

(Note: The Developed Property includes the completed homes and the homes under construction and comprises all but Lots 17, 18, 22 & 23 which are the vacant lots for which building permits had not been issued as of April 1, 2014 and are categorized as Undeveloped Property.)

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

Plan 1 (Anderton): 2,600 s.f., two-story, with 4 bedrooms plus loft and optional bedroom 5, 3 baths, and a 2-car garage; Del Sur room with fireplace (outdoor covered and mostly enclosed space), 2nd floor deck off the master bedroom, optional pocket doors to the Del Sur room, and an optional outdoor kitchen.

Plan 2 (Roycroft): 2,701 s.f., two-story, with 4 bedrooms plus loft, 3 baths, and a 2-car garage; Del Sur room with fireplace, 2nd floor deck off the master bedroom, and optional pocket doors to the Del Sur room.

Plan 3 (Piedmont): 2,955 s.f., two-story, with 4 bedrooms plus bonus room or optional bedroom 5 at bonus room, 3 baths, and a 2-car garage plus storage; Del Sur room with fireplace, 2nd floor deck off the master bedroom, and optional stacking doors to the Del Sur room.

Per building permit data, the 27 completed homes range in size from 2,589 s.f. to 2,944 s.f. or an average of 2,732 s.f., with the 23 completed-sold homes being an average size of 2,732 s.f. and the 4 completed-unsold homes also being an average size of 2,732 s.f.

VALUATION

Method of Analysis

The analysis of the completed-sold homes is of the aggregate value and on a mass appraisal basis by means of the Sales Comparison Approach. Primary consideration is given to the recent builder sales of the subject Hawthorne homes, and secondary consideration is given to the recent builder sales of the Carrillo and Garretson homes as well as resales of similar homes from neighborhoods in the west part of Del Sur. For the completed-unsold homes, the analysis considers a discount due to the bulk

VALUATION, Continuing

ownership by the builder with the discount reflecting holding/sales costs plus profit in order to sell off the homes.

For the homes under construction, a simplified Cost Approach is used in which the value is based on an estimate of construction costs expended plus the estimated value of the vacant lot as if in finished condition. The analysis of the vacant lots as if in finished condition is based on the Sales Comparison Approach, considering recent sales of residential land or bulk lots from the general area in comparison to the subject property.

Analysis of Completed-Sold Homes

These are the 23 homes for which the builder sales closed from November 7, 2013 through March 31, 2014. The indicated range of net sale prices (reflecting lot premiums, options and incentives) is \$751,900 to \$946,919 or an average of ±\$858,000, reflecting an average home size of 2,732 s.f. It is noted that escrows opened on 19 of the 23 sales in July through September 2013, thus the average price indication of \$858,000 would tend to be at least slightly on the conservative side as of current date.

It is also noted that the 13 pending sales have net sale prices that range from \$819,935 to \$950,928 or an average of ±\$872,000 for an average home size of 2,787 s.f. While the average price is 1.6% higher than for the closed sales, the average home size is also about 2% larger. However, 4 of the 13 pending sales had escrows opened in October through December 2013.

Thus, the average indication at \$858,000 tends to support a close indication to close lower limit indication of value at current date, and the indication at \$872,000 supports a firm upper limit indication of average value due to the larger average home size.

As discussed next in this report, the pending sales of the Garretson homes indicate an average net price of ±\$531,000 for an average home size of 1,657 s.f. or \$320.46 per s.f. While the much smaller average size tends to result in a higher price per s.f., this is partially offset by the inferior townhome product of the Garretson homes, but still resulting in a firm upper limit indication of average value for the subject Hawthorne homes as follows:

$$2,732 \text{ s.f. avg. size @ } \$320.46/\text{s.f.} = \$875,000 \text{ (firm upper limit)}$$

As discussed later in this report, the closed sales of the Carrillo homes indicate an average net price of \$776,000 for an average size of 2,695 s.f. or \$287.94 per s.f. Considering the slightly smaller average home size, the slightly smaller and narrower lots, and the less desirable alley-loaded/rear garage design, the indication at an

VALUATION, Continuing

average of \$776,000 supports a far lower limit for the subject Hawthorne homes, and a slightly closer but still far lower limit on a per s.f. basis is as follows:

2,732 s.f. avg. size @ \$287.94/s.f. = \$787,000 (far lower limit)

Considering the 19 pending sales of the Carrillo homes, the average is \$798,000 for an average home size of 2,716 s.f. which indicates \$293.81 per s.f. Again, the indication at an average of \$798,000 supports a closer but still firm lower limit as an average for the subject Hawthorne homes, and a similar firm lower limit on a per s.f. basis is as follows:

2,732 s.f. avg. size @ \$293.81/s.f. = \$803,000 (far lower limit)

Lastly, recent sales of other similar homes in the west part of the Del Sur community have been considered, and are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	15662 Via Montecristo	11/4/13	\$740,000	2,593	2006	5,478	Good/upgraded condition
2	8534 Mathis Pl.	11/18/13	\$835,000	3,103	2011	6,658	Good/upgraded condition
3	15686 Via Montecristo	12/2/13	\$775,000	2,478	2006	5,540	Good/upgraded condition
4	16052 Bedford Hill	12/6/13	\$792,500	2,760	2011	4,230	Good/upgraded condition
5	15743 Concord Ridge Ter.	1/17/14	\$775,000	3,005	2006	5,400	Good/upgraded condition
6	15581 Via Montecristo	4/1/14	\$815,000	2,888	2009	5,020	Good/upgraded condition
7	8259 Katherine Claire Ln.	4/2/14	<u>\$800,000</u>	<u>2,460</u>	2007	9,100	Good/upgraded condition
			±\$790,000	2,755			(Avg.)

It is noted that the average home size of 2,755 s.f. is minimally larger than the average of 2,732 s.f. for the 23 completed-sold subject homes and several of the lot sizes are larger. However, the more significant factor is that these homes are 3 to 8 years old in contrast to the subject homes which are new to ±6 months old. For this primary reason, the indication at an average of \$790,000 supports a firm lower limit indication of average value for the subject completed-sold homes.

In summary, the indications of average value for the 23 completed-sold homes support a far lower limit at \$776,000, closer but still firm lower limit indications from \$790,000 to \$803,000, a close indication to close lower limit at \$858,000, and firm upper limit indications at \$872,000 and \$875,000. The conclusion is an average value of \$860,000 for the 23 completed-sold homes.

VALUATION, Continuing

Analysis of Completed-Unsold Homes

These 4 homes consist of the 3 model homes and one Plan 2 production home, resulting in an average home size of 2,728 s.f. It is noted that this is fairly similar to the average size of 2,732 s.f. for the completed-sold homes.

The initial value conclusion for these 4 homes is the same as for the completed-sold homes, or an average of \$860,000. Then, reflecting also that 3 of these homes are the upgraded models, a reduced discount of 7.5% has been applied due to the bulk ownership by the builder and reflecting holding/sales costs plus profit. This results in an average value of \$795,000 for the 4 completed-unsold homes.

Analysis of Homes Under Construction

For the 6 homes that were under construction and indicated to be about 90% completed, I have considered a cost amount of 90% of direct costs indicated to be \$70.00 per s.f., or \$63.00 per s.f. on the average home size of 2,752 s.f., or an amount rounded to \$175,000. This is added to the estimated value of \$410,000 for the vacant lot in finished condition, as discussed next, resulting in a total of \$585,000 as an average for these 6 homes.

For the 6 homes that were under construction and indicated to be about 40% completed, I have considered a cost amount of 40% of \$70.00 per s.f. direct costs, or \$28.00 per s.f. on the average home size of 2,794 s.f., or an amount rounded up to \$80,000. This is added to the estimated value of \$410,000 for the vacant lot, resulting in a total of \$490,000 for these 6 homes.

For the 6 homes that were under construction and indicated to be about 20% completed, I have considered a cost amount of 20% of \$70.00 per s.f. direct costs, or \$14.00 per s.f. on the average home size of 2,752 s.f., or an amount rounded up to \$40,000. This is added to the estimated value of \$410,000 for the vacant lot, resulting in a total of \$450,000 for these 6 homes.

Analysis of Vacant Lots

For the 4 vacant lots, a search was made for recent sales of bulk single-family lots in the general subject area. The pertinent data is shown in the following table with the discussion and analysis of the sales following thereafter. The value on a finished lot basis is first concluded, followed by a deduction for the remaining costs to complete to get the lots from as is condition to finished condition, resulting in a value indication for the lots in as is condition.

The sales data is tabulated as follows:

VALUATION, Continuing

<u>No.</u>	<u>Location (APN)</u>	<u>Rec. Date</u>	<u>No. Lots Min Size</u>	<u>Price/Lot Price/Fin Lot</u>	<u>Fin. Lot Ratio</u>	<u>Remarks</u>
1	S'yly of Paseo Del Sur, W'yly of Tanner Ridge Rd., San Diego (678-686-01 to 49)	9/30/12	49 4,100	\$172,646 \$316,401	.47	Subject Hawthorne neighborhood
2	NW/S Paseo Del Sur, Del Sur Ridge to Potomac Ridge Rd., San Diego (678-681-63)	10/8/13	45 Attached	\$72,069 \$177,851	.43	Subject Garretson neighborhood
3	SW/O Paseo Del Sur, Tanner Ridge Rd. to Potomac Ridge Rd., San Diego (678-681-19 to 60; 678-687-1 to 21)	2/5/14	63 ±2,800- 4,700	\$130,556 \$233,493	.44	Subject Prado neighborhood
4	±300' SW/O Lesar Pl., Tanner Ridge Rd. to Potomac Ridge Rd., San Diego (678-682-02 to 32; 678-683-01 to 21)	9/30/12	52 ±3,900	\$162,407 \$278,039	.46	Subject Carrillo neighborhood
5	S'yly end Tanner Ridge Rd. and both sides Tanner Ridge Cr., San Diego (678-684-18 to 21; 678-685-01 to 35)	11/14/13	39 ±6,500	\$400,000 \$436,000	.49	To be Descanso at Del Sur by Brookfield Homes; lots in near finished condition; homes to be 3,423-3,940 s.f.
6	Old Course Rd. at Crescent Creek Dr. & Province Ct., Unincorp. San Diego Cnty (267-430, 431, 432 & 442 portions)	7/3/12	89 ±13,600 (pad)	n/a ±\$485,000	n/a	The Lakes Above Rancho Santa Fe; lots in near finished condition; many with territorial views; existing CFD
7	Old Course Rd. at Goldenaire Way, Unincorp. San Diego County (267-420, 421 & 422 portions)	5/24/12	49 8,000	n/a \$360,000	.46	The Lakes Above Rancho Santa Fe; lots in near finished condition; minimal views; existing CFD
8	N/S Torrey Meadows Dr. at Sunshine Path, San Diego (306-441-01 to 44)	10/20/11	44 ±4,400	\$272,750 \$424,000	.56	Lots in semi-finished condition with recorded tract map; to be Latitude neighborhood of homes at 2,606-2,977 s.f.; existing CFD

Data No. 1 consists of the purchase of the 49 lots for the subject Hawthorne neighborhood of homes. As previously indicated, this was part of a bulk sale of 1,399 lots/units from Black Mountain Ranch, LLC to SPIC Del Sur, LLC that was executed in September 2012. The sale of these 49 lots closed on September 30, 2012 with a price allocation of \$172,646 per lot for the as is mass graded condition, reflecting an estimate of \$316,401 per finished lot including fees. At that time, the projected average home price was \$679,000, resulting in a finished lot ratio of .47.

Initially, considering that this was part of a large bulk sale, that there was significant time as well as risk remaining to get the lots to finished condition, and that the price was negotiated over 1½ years ago, the indication at \$316,401 per finished lot supports a far lower limit indication of value at current date. Considering also that the most recent home pricing from pending sales at an average of \$872,000 is about 28% higher than the projected pricing as of September 2012, an upward time adjustment of 28% results in a current indication at ±\$405,000 per finished lot, which would tend to be a close lower limit indication of value due to the factors of the bulk sale and condition of the land. Alternatively, the current average home pricing from pending sales and the finished lot ratio of .47 indicates the following:

$$\$872,000 \times .47 = \$410,000/\text{finished lot}$$

VALUATION, Continuing

Data No. 2 consists of the purchase of the land for the subject 45-unit Garretson townhome project as discussed next in this report. This sale was also part of the bulk sale to SPIC Del Sur, LLC and it closed on October 8, 2013 at the price of \$72,069 per lot (unit) for the land in mass graded condition, or reflecting \$177,851 per finished lot including fees. At that time, the projected average home pricing was \$418,000, indicating a finished lot ratio of .43. It is noted that the current average home pricing from pending sales is \$531,000, or 27% higher than the original projected pricing.

Considering the factors of being part of a large bulk sale, status of the land at time of sale and date of sale, as well as being lots for a higher-density townhome product of much smaller and lower-priced homes, this sale supports a far lower limit indication of value for the subject on a per finished lot basis. A closer but still firm lower limit indication is by the finished lot ratio of .43, which tends to be lower for an attached product and indicates the following for the subject:

$$\$872,000 \times .43 = \$375,000/\text{finished lot}$$

Data No. 3 consists of the purchase of the 63 lots for the subject Prado neighborhood of homes as discussed later in this report. This sale was also part of the bulk sale to SPIC Del Sur, LLC and it closed on February 5, 2014 at the price of \$130,556 per lot for the as is mass graded condition, or reflecting \$233,493 per finished lot including fees. At that time, the projected average home pricing was \$529,000, indicating a finished lot ratio of .44. It is noted that the current projected home pricing is from the \$600,000's to low \$700,000's, or approximately 27-30% higher than the original projected pricing.

Again, this sale is far inferior to the subject due to the factors of being part of a large bulk sale, the status of the land at time of sale and date of sale, and the much smaller lots that are being developed with much smaller and lower-priced homes. Thus, considering an upward time adjustment of 27%, the adjusted indication at \$297,000 per finished lot supports a far lower limit indication of value for the subject. Alternatively, considering the finished lot ratio of .44, a closer but still firm lower limit indication is as follows:

$$\$872,000 \times .44 = \$384,000/\text{finished lot}$$

Data No. 4 consists of the purchase of the 52 lots for the subject Carrillo neighborhood of homes as discussed later in this report. This sale was also part of the bulk sale to SPIC Del Sur, LLC and it closed on September 30, 2012 at the price of \$162,407 per lot for the as is mass graded condition, or reflecting \$278,039 per finished lot including fees. At that time, the projected average home pricing was \$609,000, indicating a finished lot ratio of .46. As discussed later, the most recent average home pricing from the pending sales is an average of \$798,000 or 31% higher than the original projected pricing.

VALUATION, Continuing

This sale is also inferior to the subject due to the factors of being part of a large bulk sale, the status of the land at time of sale and date of sale, and the smaller lots that are being developed with smaller and lower-priced homes. Thus, considering an upward time adjustment of 27-31%, the adjusted indication at \$353,000 to \$364,000 per finished lot supports a firm lower limit indication of value for the subject. Alternatively, considering the finished lot ratio of .46, a close lower limit indication is as follows:

$$\$872,000 \times .46 = \$401,000/\text{finished lot}$$

Data No. 5 consists of the sale of 39 lots from Black Mountain Ranch, LLC to Brookfield Homes that are located nearby to the south of the Carrillo neighborhood along Tanner Ridge Rd. and Tanner Ridge Ct. These lots comprise the southerly end of the ridge area with open space and territorial views to the perimeter lots or about 64% of the lots. The lots are $\pm 6,500$ s.f. minimum and an average of $\pm 8,600$ s.f. The sale was negotiated in mid 2012 and closed on November 14, 2013 at the price of \$400,000 per lot for the near finished condition, or reflecting \$436,000 per finished lot including fees. The original projected average home pricing was \$884,000 which indicates a finished lot ratio of .49. However, it is indicated that current pricing for the 3,423 s.f. to 3,940 s.f. homes will start in the low \$1,000,000's or at least 20-25% higher.

In comparison to the subject, this sale is similar in terms of reflecting a bulk size of only 39 lots and also being in near finished condition, but the lots are much larger than the subject, are being developed with much larger and higher-priced homes, and a higher percentage of the lots have views. Downward adjustments for these superior factors are more than offsetting to an upward time adjustment, resulting in a firm upper limit indication of value for the subject at \$436,000 per finished lot. Alternatively, a closer indication of value for the subject lots is on the basis of the finished lot ratio of .49, as follows:

$$\$872,000 \times .49 = \$427,000/\text{finished lot}$$

Data No. 6 consists of the sale of 89 lots from MS Rialto The Lakes CA, LLC to Lennar Homes that are located in the gated community of The Lakes Above Rancho Santa Fe which is across Camino Del Sur to the north of the west part of the Del Sur community. These lots are a minimum pad size of $\pm 13,600$ s.f. with many lots being much larger, and many lots have good open space and territorial views. The sale closed on July 3, 2012 at a price reflecting $\pm \$485,000$ per finished lot, and the lots ranged from semi-finished to near finished condition at that time with a CFD in place. Specifics on planned home sizes and pricing on these lots was not known.

In comparison to the subject, the bulk size of 89 lots is much larger, but the location is considered to be superior, the lots are substantially larger in size with the potential for much larger and higher-priced homes, and the views to many of the lots are

VALUATION, Continuing

superior. Downward adjustments for these superior factors are far more than offsetting to an upward time adjustment since the date of sale, resulting in a far upper limit indication of value for the subject at \$485,000 per finished lot.

Data No. 7 consists of the sale of 49 lots from MS Rialto The Lakes CA, LLC to Van Daele Homes that are also located in The Lakes Above Rancho Santa Fe. These lots are 8,000 s.f. minimum and with limited views to a small percentage of the lots, and with a CFD in place and projected effective tax rate of $\pm 1.8\%$. The sale closed on May 24, 2012 at a price reflecting \$360,000 per finished lot, with the lots in a semi-finished condition. In addition, the sale included potential future seller participation if certain hurdles were met. The buyer planned homes of $\pm 2,800$ s.f. to 4,000 s.f. with projected pricing from the low \$700,000's to the mid \$800,000's, indicating a finished lot ratio of about .46. It is noted that the most recent builder sales have indicated an average price of \$972,000 or about 24% higher.

The comparison to the subject is similar to that for Data No. 6, except that these are smaller lots and with inferior views, though still much larger than the subject lots. Considering an upward time adjustment of $\pm 25\%$ since the date of sale, the adjusted indication at \$446,000 per finished lot supports a firm upper limit indication of value for the subject due to the superior location and much larger lot sizes. Alternatively, the finished lot ratio of .46 results in the closer indication of value for the subject at \$401,000 per finished lot, as previously calculated.

Data No. 8 consists of the sale of 44 lots from Davidson Communities to Pulte Home Corporation that are located on the north side of Torrey Meadows Dr. at Sunshine Path, in the Torrey Highlands area of San Diego about 4 miles to the south-southwest of the subject. These are $\pm 4,400$ s.f. minimum lots but most are over 5,000 s.f., and about half of the lots back to open space with territorial views. There is also an existing CFD with effective tax rates projected at $\pm 1.5\%$. The sale closed on October 20, 2011 at a price reflecting \$424,000 per finished lot, with the lots in a semi-finished condition. The buyer planned homes of 2,606 s.f. to 2,977 s.f. with pricing from the mid to high \$700,000's, indicating a finished lot ratio of about .56. It is noted that the most recent builder sales from July through September 2013 indicated an average price of about \$850,000 or about 13% higher.

In comparison to the subject, the location is considered to be slightly superior, the lots are slightly larger in minimum and average size, the view potential is fairly similar and the effective tax rate is lower. Downward adjustments for the superior factors of location, lot size and effective tax rate are mostly offset by an upward time adjustment, resulting in a close indication of value for the subject at \$424,000 per finished lot. Alternatively, it is noted that the finished lot ratio is much higher than all of the other data, and thus tends to support a firm upper limit indication of value for the subject as follows:

$$\$872,000 \times .56 = \$488,000/\text{finished lot}$$

VALUATION, Continuing

In summary, on a finished lot basis the data supports a far lower limit indication of value at \$297,000, closer but still firm lower limit indications from \$353,000 to \$384,000, close lower limit indications from \$401,000 to \$410,000, close indications of value from \$401,000 to \$427,000, and firm to far upper limit indications of value from \$436,000 to \$488,000. The most supportable range is concluded to be over \$400,000 but well under \$430,000, and the conclusion for the subject lots is \$410,000 per finished lot.

Then, a deduction is made to reflect the remaining costs to get all lots to a fully finished condition. Information provided by the builder is that these remaining costs are a total of \$649,000. Thus, the indication for the subject lots is calculated as follows:

4 lots, if in finished condition, @ \$410,000/lot =	\$1,640,000
Less remaining costs to complete:	<u>- 649,000</u>
Value indication, as is condition:	\$991,000
Rd.	\$990,000

Conclusion of Value

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

23 completed-sold homes @ \$860,000 =	\$19,780,000
4 completed-unsold homes @ \$795,000 =	\$ 3,180,000
6 homes under construction @ \$585,000 =	\$ 3,510,000
6 homes under construction @ \$490,000 =	\$ 2,940,000
6 homes under construction @ \$450,000 =	\$ 2,700,000
4 vacant lots =	<u>\$ 990,000</u>
Value Indication, As Is:	\$33,100,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Hawthorne product type, subject to the Assumptions and Limiting Conditions, and as of April 1, 2014:

\$33,100,000

(THIRTY-THREE MILLION ONE HUNDRED THOUSAND DOLLARS)

Then, the overall value conclusion is allocated to the individual owners (completed-sold homes) and the builder ownership (completed-unsold homes, homes under construction and vacant lots), and also allocated to Developed Property and Undeveloped Property (vacant lots) as follows:

VALUATION, Continuing

	<u>No.</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Market Value</u>
	<u>Lots</u>			
<i>Individual Owners (Completed-Sold Homes):</i>	23	\$19,780,000	\$ 0	\$19,780,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	4	\$ 3,180,000	\$ 0	\$ 3,180,000
<i>Builder Ownership (Homes Under Construction):</i>	18	\$ 9,150,000	\$ 0	\$ 9,150,000
<i>Builder Ownership (Vacant Lots):</i>	<u>4</u>	<u>\$ 0</u>	<u>\$990,000</u>	<u>\$ 990,000</u>
	49	\$32,110,000	\$990,000	\$33,100,000

Improvement Area A



Garretson at Del Sur

SITE PLAN

LEGEND

- Ph. 5 Bldg. A
 - Ph. 7 Bldg. B
 - Ph. 8 Bldg. C
 - Ph. 9 Bldg. A
 - Ph. 10 Bldg. B
 - Ph. 11 Bldg. A
 - Ph. 12 Bldg. B
- Phase/Building Number
— Elevation

GARRETSON

PROPERTY DATA

Location

This product type is located in the block bounded by Paseo Del Sur on the southwest, Potomac Ridge Rd. on the southeast, Coyote Bush Dr. on the northeast and Del Sur Ridge on the northwest.

Record Owner/Ownership History

As of the April 1, 2014 date of value, all of the land for the planned 45 townhomes was owned by SPIC Del Sur, LLC. Similar to the discussion for Hawthorne, this land was part of the bulk sale from Black Mountain Ranch, LLC to SPIC Del Sur, LLC that was executed in September 2012. The sale of the land for this 45-unit phase of Garretson to SPIC Del Sur, LLC closed on October 8, 2013 at a price of \$3,243,111 or \$72,069 per lot/unit, with the land in a mass graded condition.

Legal Description

The land comprising this overall site is described as Lot 29 of Black Mountain Ranch Del Sur Town Center, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15919 filed in the Office of the County Recorder on June 3, 2013.

Assessor Data-2013/14

The overall site is currently identified as Assessor Parcel No. 678-681-63, which does not yet reflect the subdivision for the planned 45 townhomes. Due to the recent mapping, an assessed value is not available for the overall site. The tax rate area is 08-050 which indicates a current tax rate of 1.04460%, with an effective tax rate projected to be up to 1.9% including special taxes for this CFD.

No. of Units/Density

This product type will comprise a total of 45 attached dwelling units on the 3.53-acre site, which indicates a density of 12.7 dwelling units per acre.

Existing and Planned Development/Status of Construction

The overall site is planned to be developed by Standard Pacific Homes with 45 townhomes called Garretson at Del Sur. There will be a total of 8 two-story buildings which will contain 4 to 6 units per building. As of the April 1, 2014 date of value, there were 4 buildings comprising 24 townhomes that were under

PROPERTY DATA, Continuing

construction and indicated to be an average of about 10% completed. The vacant land for the remaining 21 units was in a semi-finished condition.

(Note: The Developed Property includes the land for all 45 townhomes or all 45 lots since all building permits had been issued on February 25, 2014.)

There are three floor plans of townhomes which are described as follows:

Plan 1 (Carmel): 1,518 to 1,584 s.f., two-story, with 3 bedrooms, 2.5 baths, 2-car attached garage, and large front courtyard enclosed by a low wall.

Plan 2 (Coronado): 1,628 to 1,689 s.f., two-story, with 3 bedrooms, 2.5 baths, loft, 2-car attached garage, and large front courtyard enclosed by a low wall.

Plan 3 (Summerland): 1,867 s.f., two-story, with 4 bedrooms (one downstairs), 3 baths, 2-car attached garage, and large front courtyard enclosed by a low wall.

Per building permit data, the Plan 1 units have sizes of 1,518 s.f. and 1,584 s.f., the Plan 2 units have sizes of 1,628 s.f., 1,641 s.f. and 1,689 s.f., and the Plan 3 units have a size of 1,867 s.f.

VALUATION

Method of Analysis

This is similar to the previous analysis, but considering only homes under construction and the remaining vacant land/lots.

Analysis of Homes Under Construction

For the 24 townhomes that were under construction and estimated to be about 10% completed, I have considered a cost amount of 10% of the reported direct construction costs of \$70.00 per s.f., or \$7.00 per s.f. on the average townhome size of 1,683 s.f. for these 24 units, or an amount rounded to \$15,000. This is added to the estimated value of \$230,000 for the vacant lot (reflecting the attached townhome units) in finished condition, as discussed next, resulting in a total average of \$245,000 for these 24 townhomes.

Analysis of Vacant Land/Lots

This is the vacant land for the future 21 townhomes or the 21 vacant lots that are in a semi-finished condition. The analysis is similar to that for the previous Hawthorne product type, except that these lots are much smaller and for an attached townhome product that is much smaller and lower-priced.

VALUATION, Continuing

Data No. 2 in that analysis was the sale of the 45 lots for this subject Garretson product type that reflected a price of \$177,851 per finished lot. Considering an upward time adjustment of 25-30% since the sale was negotiated, a closer indication at current date is the range of \$222,000 to \$231,000 per finished lot. Alternatively, considering the finished lot ratio of .43 from the land sale, and the current average home pricing from pending sales of \$531,000, the following indication results:

$$\$531,000 \times .43 = \$228,000/\text{finished lot}$$

As previously discussed, these indications would still tend to support lower limit indications of value at current date due to the sale being part of the much larger bulk sale of 1,399 lots/units, as well as the mass graded condition of the land at time of sale which reflected greater time and risk than the semi-finished condition at current date.

The other land sales data are all of larger lots for larger and higher-priced homes, thus supporting far upper limit indications of value for the subject Garretson product type. However, the indications of finished lot ratios from .44 to .56 provide additional support for the .43 finished lot ratio from the sale of the subject lots, with the lower indication tending to be more supportable for an attached product type.

In summary, the indicated value range at current date is \$222,000 to \$231,000 per finished lot, and the upper end of the range is concluded to be most supportable. Thus, the conclusion is a value of \$230,000 per finished lot.

Then, a deduction is made to reflect the remaining costs to get all lots to a fully finished condition. Information provided by the builder is that these remaining costs are a total amount rounded to \$1,850,000. Thus, the indication for the subject lots is calculated as follows:

21 lots, if in finished condition, @ \$230,000/lot =	\$4,830,000
Less remaining costs to complete:	<u>-1,850,000</u>
Value indication, as is condition:	\$2,980,000

Conclusion of Value

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

24 homes under construction @ \$245,000 =	\$5,880,000
21 vacant lots =	<u>\$2,980,000</u>
Value Indication, As Is:	\$8,860,000

VALUATION, Continuing

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Garretson product type, subject to the Assumptions and Limiting Conditions, and as of April 1, 2014:

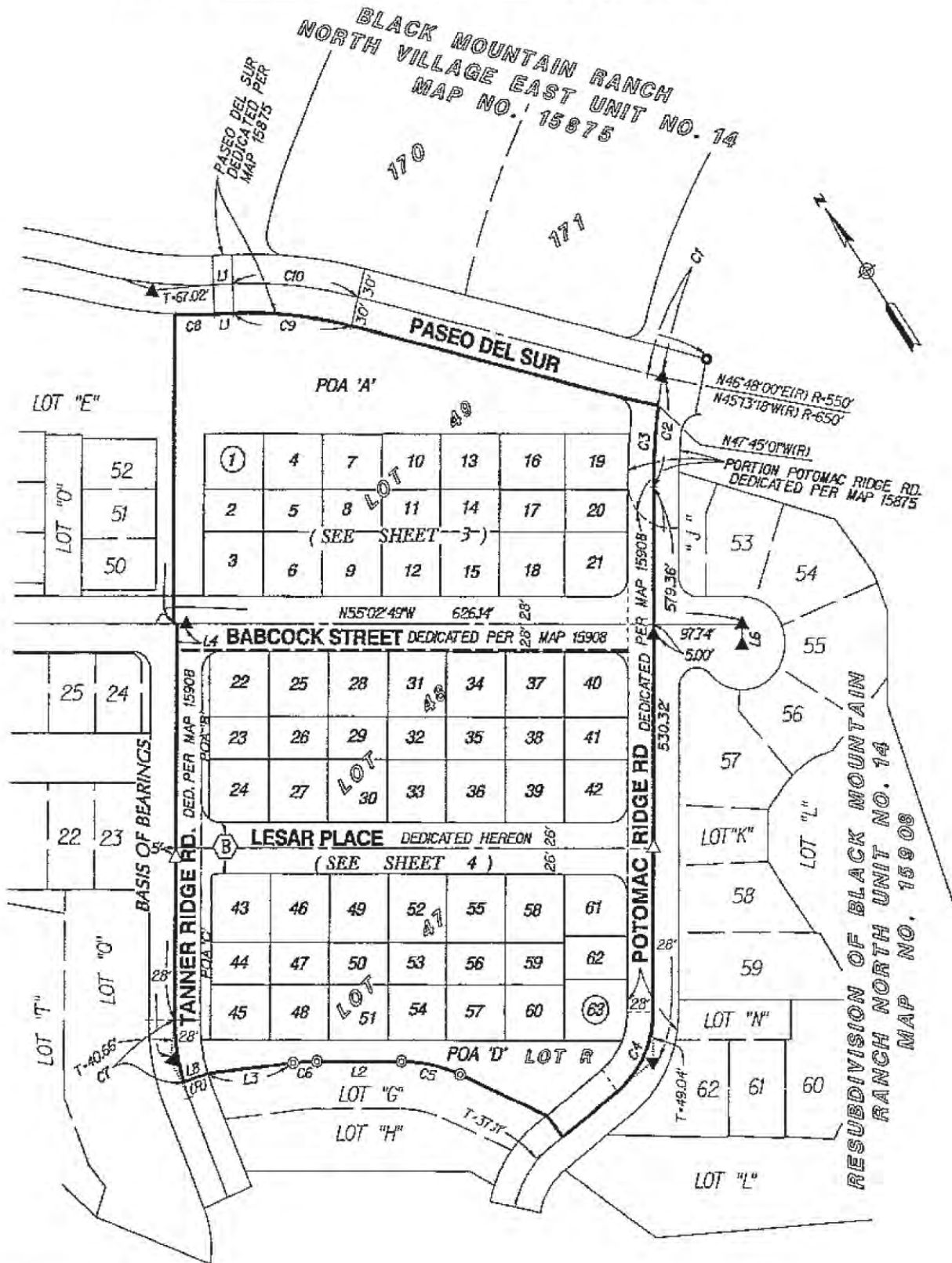
\$8,860,000

(EIGHT MILLION EIGHT HUNDRED SIXTY THOUSAND DOLLARS)

As previously indicated, all of the value is allocated to the Builder Ownership and also to Developed Property.

RESUBDIVISION OF BLACK MOUNTAIN RANCH NORTH VILLAGE EAST UNIT NO. 14 (MOTOR COURTS)

PROCEDURE OF SURVEY & INDEX SHEET



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rickengineering.com

San Diego Riverside Sacramento Orange Phoenix Tucson
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PRADO

PROPERTY DATA

Location

This product type is located on both sides of Babcock St. and Lesar Pl. between Tanner Ridge Rd. and Potomac Ridge Rd.

Record Owner/Ownership History

As of the April 1, 2014 date of value, all 63 lots were owned by SPIC Del Sur, LLC. Similar to the discussion for Hawthorne, this land was part of the bulk sale from Black Mountain Ranch, LLC to SPIC Del Sur, LLC that was executed in September 2012, and the sale of the 63 subject lots closed on February 5, 2014 at the price of \$8,225,059 or \$130,556 per lot with the land in a mass graded condition.

Legal Description

The 63 lots comprising this product type are described as Lots 1 to 63 of the Resubdivision of Black Mountain Ranch North Village East Unit No. 14 (Motor Courts), in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15950 filed in the Office of the County Recorder on October 31, 2013.

Assessor Data-2013/14

The 63 lots comprise Assessor Parcel Nos. 678-681-19 to 60 and 678-687-01 to 21. Due to the recent mapping of the subject neighborhood, assessed values are not yet available for these parcels. The tax rate area is 08-050 which indicates a current tax rate of 1.04460%, with an effective tax rate projected to be up to 1.9% including special taxes for this CFD.

No. of Lots/Lot Sizes

This product type comprises a total of 63 lots in a motor court type of configuration that typically has 6 lots around a short private driveway. The lots range in size from 43' by 64.5' or 2,774 s.f. to 65' by 72' or 4,680 s.f.

Existing and Planned Development/Status of Construction

The 63 lots are currently being developed by Standard Pacific Homes with a product type of homes called Prado at Del Sur. As of the April 1, 2014 date of value, the 3 model homes were under construction and indicated to be about 10% completed, and the remaining 60 lots were vacant and in a semi-finished condition.

PROPERTY DATA, Continuing

(Note: The Developed Property comprises 27 lots or Lots 1 to 3, 34 to 42 & 49 to 63 for which building permits had been issued on March 7, 2014, and the Undeveloped Property comprises the remaining 36 lots.)

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

Plan 1: 1,905 s.f., two-story, with 3 bedrooms, 2.5 baths, and a 2-car attached garage.

Plan 2: 2,191 s.f., two-story, with 3 bedrooms plus office or 4 bedrooms, loft, 3 baths, and a 2-car attached garage.

Plan 3: 2,448 s.f., two-story, with 3 bedrooms plus office or 4 bedrooms, loft or optional tech area, 3 baths, and a 2-car attached garage.

Per building permit data, home sizes for the three floor plans are as indicated above.

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of Homes Under Construction

For the 3 homes that were under construction and estimated to be about 10% completed, I have considered a cost amount of 10% of the reported direct construction costs of \$68.00 per s.f., or \$6.80 per s.f. on the average home size of 2,181 s.f. for these 3 homes, or an amount of \$15,000. This is added to the estimated value of \$300,000 for the vacant lot in finished condition, as discussed next, resulting in a total average of \$315,000 for these 3 homes.

Analysis of Vacant Lots

These are the 60 lots that were vacant and in a semi-finished condition. The analysis is similar to that for the previous Hawthorne and Garretson product types, with these subject lots being smaller than Hawthorne and larger than Garretson.

Data No. 3 in the analysis of the Hawthorne product type was the sale of the 63 lots for this subject Prado product type that reflected a price of \$233,493 per finished lot. Considering an upward time adjustment of 25-30% since the sale was negotiated, a closer indication at current date is the range of \$292,000 to \$304,000 per finished lot. Alternatively, considering the finished lot ratio of .44 from the land sale, and the projected home pricing from the \$600,000's to the low \$700,000's, say an average of approximately \$670,000 to \$690,000, the following indication results:

$$\$670,000 \text{ to } \$690,000 \times .44 = \$295,000 \text{ to } \$304,000/\text{finished lot}$$

VALUATION, Continuing

As previously discussed, these indications would still tend to support lower limit indications of value at current date due to the sale being part of the much larger bulk sale of 1,399 lots/units, as well as the mass graded condition of the land at time of sale which reflected greater time and risk than the semi-finished condition at current date.

Data No. 2 was the sale of the lots for the Garretson product type indicating the price of \$177,851 per finished lot. Considering an upward time adjustment of $\pm 27.5\%$, the adjusted indication of \$227,000 per finished lot supports a far lower limit indication of value for the subject due to the much smaller lots for a smaller and lower-priced attached product type.

Data No. 4 was the sale of the lots for the Carrillo product type indicating the price of \$278,039 per finished lot. Considering an upward time adjustment of $\pm 27.5\%$, the adjusted indication of \$354,000 per finished lot supports a far upper limit indication of value for the subject due to the larger lots which are being developed with a much larger and higher-priced product type.

Lastly, the other land sales data are all of larger lots for larger and higher-priced homes, thus supporting far upper limit indications of value for the subject Prado product type. However, the indications of finished lot ratios from .46 to .56 provide additional support for the .44 finished lot ratio from the sale of the subject lots.

In summary, the most supportable range of value is \$292,000 to \$304,000 per finished lot, and the conclusion is toward the upper end of the range. Thus, the conclusion is a value of \$300,000 per finished lot.

Then, a deduction is made to reflect the remaining costs to get all lots to a fully finished condition. Information provided by the builder is that these remaining costs are a total amount of \$3,506,000. Thus, the indication for the subject lots is calculated as follows:

60 lots, if in finished condition, @ \$300,000/lot =	\$18,000,000
Less remaining costs to complete:	<u>- 3,506,000</u>
Value indication, as is condition:	\$14,494,000
	Rd. \$14,490,000

Conclusion of Value

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

VALUATION, Continuing

3 homes under construction @ \$315,000 =	\$ 945,000
60 vacant lots =	<u>\$14,490,000</u>
Value Indication, As Is:	\$15,435,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Prado product type, subject to the Assumptions and Limiting Conditions, and as of April 1, 2014:

\$15,435,000

(FIFTEEN MILLION FOUR HUNDRED THIRTY-FIVE THOUSAND DOLLARS)

Then, the overall value conclusion, all of which is builder ownership, is allocated between the Developed and Undeveloped Property as follows:

	<u>No.</u> <u>Lots</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Market Value</u>
<i>Builder Ownership (Homes Under Construction):</i>	3	\$ 945,000	\$ 0	\$ 945,000
<i>Builder Ownership (Vacant Lots):</i>	<u>60</u>	<u>\$5,796,000</u>	<u>\$8,694,000</u>	<u>\$14,490,000</u>
	63	\$6,741,000	\$8,694,000	\$15,435,000

CARRILLO



at DEL SUR



LEGEND



- A = SPANISH COLONIAL
- B = RUSTIC COTTAGE
- C = ITALIAN REVIVAL
- D = MEDITERRANEAN FARMHOUSE
- E = CALIFORNIA BUNGALOW

- PLAN 1 - JACINTA
- PLAN 2 - CAMPANILLA
- PLAN 3 - AMARANTA



STANDARD PACIFIC HOMES

This site plan is not intended as a legal description of the property. The depiction of boundaries and building locations is meant to serve as a general guide. The actual boundaries and building locations will differ to some extent from the above depiction. Legal descriptions are available for your information. Plans are subject to change. Ask a Sales Representative for details. 5/13.



Del Sur
9/28/13

CARRILLO

PROPERTY DATA

Location

This product type is located between Tanner Ridge Rd. and Potomac Ridge Rd., to the southwest of the Prado product type and nearby to the northeast of where these two streets intersect.

Record Owner/Ownership History

As of the April 1, 2014 date of value, individual homeowners owned 26 of the lots (Lots 75 to 84 & 86 to 101) and the remaining 26 lots were owned by SPIC Del Sur, LLC (Lots 50 to 74 & 85).

Similar to the discussion for Hawthorne, this land was part of the bulk sale from Black Mountain Ranch, LLC to SPIC Del Sur, LLC that was executed in September 2012, and the sale of the 52 subject lots closed on September 30, 2012 at a price of \$8,445,169 or \$162,407 per lot with the land in a mass graded condition.

The sales of the 26 completed homes from SPIC Del Sur, LLC to the individual homeowners closed from October 11, 2013 through March 27, 2014 at net sale prices ranging from \$703,478 to \$913,384. Thus far, there have been no resales.

Legal Description

The 52 lots comprising this product type are described as Lots 50 to 101 of Black Mountain Ranch North Village Unit No. 14, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15875 filed in the Office of the County Recorder on July 26, 2012.

Assessor Data-2013/14

The 52 lots comprise Assessor Parcel Nos. 678-682-02 to 32 and 678-683-01 to 21. The assessed values for each parcel are \$185,000 for land and \$0 for improvements, not yet reflecting the home construction that has been completed thus far. The tax rate area is 08-050 which indicates a current tax rate of 1.04460%, with an effective tax rate of up to 1.9% including special taxes for this CFD.

No. of Lots/Lot Sizes

This product type comprises a total of 52 lots. These lots are $\pm 3,900$ s.f. minimum size with minimum dimensions of 42' by 92' or 3,864 s.f., and some lots ranging up to 44.5' wide and just under 6,000 s.f.

PROPERTY DATA, Continuing

Existing and Planned Development/Status of Construction

The 52 lots are currently being developed by Standard Pacific Homes with a product type of homes called Carrillo at Del Sur. This is an alley-loaded product with garages at the rear of the home accessed by the private alleys. As of the April 1, 2014 date of value, there were 26 completed-sold homes (closed sales), 4 completed-unsold homes (including the 3 models), 19 homes under construction, and 3 vacant lots in near finished condition. Of the 19 homes under construction, 8 were indicated to be about 70% completed, 7 were indicated to be about 60% completed and 4 were indicated to be about 20% completed.

(Note: The Developed Property includes all 52 lots, as all building permits had been issued as of February 21, 2014.)

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

Plan 1 (Jacinta): 2,483 to 2,673 s.f., two-story, with 4 bedrooms, 3 baths, and a 2-car garage; optional office with separate entrance adds 188 s.f.

Plan 2 (Campanilla): 2,771 to 2,930 s.f., two-story, with 4 bedrooms plus bonus room, 3 baths, and a 2-car garage; optional office with separate entrance.

Plan 3 (Amaranta): 2,812 to 2,977 s.f., two-story, with 4 bedrooms plus bonus room, 3 baths, and a 2-car garage; optional office with separate entrance.

Per building permit data, the 30 completed homes range in size from 2,483 s.f. to 2,930 s.f. or an average of 2,704 s.f., with the 26 completed-sold homes being an average size of 2,695 s.f. and the 4 completed-unsold homes being an average size of 2,761 s.f.

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of Completed-Sold Homes

These are the 26 homes for which the builder sales closed from October 11, 2013 through March 27, 2014. The indicated range of net sale prices is \$703,478 to \$913,384 or an average of \pm \$776,000, reflecting an average home size of 2,695 s.f. It is noted that escrows opened on 23 of the 26 sales in July through September 2013, thus the average price indication of \$776,000 would tend to be at least slightly on the conservative side as of current date.

VALUATION, Continuing

It is also noted that the 19 pending sales have net sale prices that range from \$746,707 to \$877,874 or an average of \pm \$798,000 for an average home size of 2,716 s.f. While the average price is 2.8% higher than for the closed sales, the average home size is less than 1% larger. However, 6 of the 19 pending sales had escrows opened in October through December 2013. Thus, the pending sales support that prices have increased at least slightly over the past 6 to 9 months.

Thus, the average indication at \$776,000 tends to support a close lower limit indication of value at current date, and the indication at \$798,000 supports a close indication to close upper limit indication of average value due to the slightly larger average home size.

As previously discussed, the closed sales of the Hawthorne homes indicate an average net price of \$858,000 for an average size of 2,732 s.f. or \$314.06 per s.f., and the pending sales indicate an average net price of \$872,000 for an average size of 2,787 s.f. or \$312.88 per s.f. Due to the slightly larger average home size, the wider and larger lots, and the superior product type, the indications at \$858,000 and \$872,000 support far upper limit indications as an average for the subject Carrillo homes. In addition, the indication at \$312.88 per s.f. supports a closer but still far upper limit indication as follows:

2,695 s.f. avg. size @ \$312.88/s.f. = \$843,000 (far upper limit)

Also as previously discussed, the pending sales of the Garretson homes indicate an average net price of \$531,000 for an average home size of 1,657 s.f. or \$320.46 per s.f. While the much smaller average size tends to result in a higher price per s.f., this is partially offset by the inferior townhome product of the Garretson homes, but still resulting in a far upper limit indication of average value for the subject Carrillo homes as follows:

2,695 s.f. avg. size @ \$320.46/s.f. = \$864,000 (far upper limit)

Lastly, as discussed for the Hawthorne product type, the recent sales of homes in the west part of the Del Sur community indicated an average price of \$790,000 for an average home size of 2,755 s.f. This is a larger average size than the average of 2,695 s.f. for the 26 completed-sold subject homes and the lot sizes are typically much larger, but the homes are also 3 to 8 years old in contrast to the subject homes which are new to \pm 6 months old. The size and age factors are considered to be approximately offsetting, thus the indication at \$790,000 supports a fairly close indication as an average for the subject homes.

In summary, the indications of average value for the 26 completed-sold homes support a closer lower limit indication at \$776,000, a close indication at \$790,000, a close indication to closer upper limit at \$798,000, and far upper limit indications

VALUATION, Continuing

from \$843,000 to \$872,000. The conclusion is an average value of \$790,000 for the 26 completed-sold homes.

Analysis of Completed-Unsold Homes

These 4 homes consist of the 3 model homes and one Plan 3 production home, resulting in an average home size of 2,761 s.f. It is noted that this is slightly larger than the average size of 2,695 s.f. for the completed-sold homes due to the mix of floor plans.

Due to the larger average home size, the initial value conclusion for these 4 homes is slightly higher than for the completed-sold homes, or an average of \$800,000. Then, reflecting also that 3 of these homes are the upgraded models, a reduced discount of 7.5% has been applied due to the bulk ownership by the builder and reflecting holding/sales costs plus profit. This results in an average value of \$740,000 for the 4 completed-unsold homes.

Analysis of Homes Under Construction

For the 8 homes that were under construction and indicated to be about 70% completed, I have considered a cost amount of 70% of direct costs indicated to be \$64.00 per s.f., or \$45.00 per s.f. on the average home size of 2,681 s.f., or an amount rounded to \$120,000. This is added to the estimated value of \$360,000 for the vacant lot in finished condition, as discussed next, resulting in a total of \$480,000 as an average for these 8 homes.

For the 7 homes that were under construction and indicated to be about 60% completed, I have considered a cost amount of 60% of \$64.00 per s.f. direct costs, or \$38.50 per s.f. on the average home size of 2,748 s.f., or an amount rounded to \$105,000. This is added to the estimated value of \$360,000 for the vacant lot, resulting in a total of \$465,000 for these 7 homes.

For the 4 homes that were under construction and indicated to be about 20% completed, I have considered a cost amount of 20% of \$64.00 per s.f. direct costs, or \$13.00 per s.f. on the average home size of 2,719 s.f., or an amount rounded to \$35,000. This is added to the estimated value of \$360,000 for the vacant lot, resulting in a total of \$395,000 for these 4 homes.

Analysis of Vacant Lots

These are the 3 lots that were vacant and in a near finished condition. The analysis is similar to that for the previous product types, with these subject lots being smaller than Hawthorne and larger than Prado.

VALUATION, Continuing

Data No. 4 in the analysis of the Hawthorne product type was the sale of the 52 lots for this subject Carrillo product type that reflected a price of \$278,039 per finished lot. Considering an upward time adjustment of 25-30% since the sale was negotiated, a closer indication at current date is the range of \$348,000 to \$361,000 per finished lot. Alternatively, considering the finished lot ratio of .46 from the land sale, and the average sale price of \$798,000 from the current pending home sales, the following indication results:

$$\$798,000 \times .46 = \$367,000/\text{finished lot}$$

As previously discussed, these indications would still tend to support lower limit indications of value at current date due to the sale being part of the much larger bulk sale of 1,399 lots/units, as well as the mass graded condition of the land at time of sale which reflected greater time and risk than the semi-finished condition at current date.

Data No. 1 was the sale of the lots for the Hawthorne product type indicating the price of \$316,401 per finished lot. Considering an upward time adjustment of $\pm 27.5\%$, the adjusted indication of \$403,000 per finished lot supports a far upper limit indication of value for the subject due to the larger lots for a larger and higher-priced product type.

Data No. 3 was the sale of the lots for the Prado product type indicating the price of \$233,493 per finished lot. Considering an upward time adjustment of $\pm 27.5\%$, the adjusted indication of \$298,000 per finished lot supports a far lower limit indication of value for the subject due to the smaller lots which are being developed with a smaller and lower-priced product type.

Lastly, the other land sales data are all of larger lots for larger and higher-priced homes, thus supporting far upper limit indications of value for the subject Carrillo product type. However, the indications of finished lot ratios from .43 to .56 provide additional support for the .46 finished lot ratio from the sale of the subject lots.

In summary, the most supportable range of value is \$348,000 to \$367,000 per finished lot, and the conclusion is in the upper mid portion of the range. Thus, the conclusion is a value of \$360,000 per finished lot.

Then, a deduction is made to reflect the remaining costs to get all lots to a fully finished condition. Information provided by the builder is that these remaining costs are a total amount of \$619,000. Thus, the indication for the subject lots is calculated as follows:

3 lots, if in finished condition, @ \$360,000/lot =	\$1,080,000	
Less remaining costs to complete:	<u>- 619,000</u>	
Value indication, as is condition:	\$ 461,000	Rd. \$460,000

VALUATION, Continuing

Conclusion of Value

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

26 completed-sold homes @ \$790,000 =	\$20,540,000
4 completed-unsold homes @ \$740,000 =	\$ 2,960,000
8 homes under construction @ \$480,000 =	\$ 3,840,000
7 homes under construction @ \$465,000 =	\$ 3,255,000
4 homes under construction @ \$395,000 =	\$ 1,580,000
3 vacant lots =	<u>\$ 460,000</u>
Value Indication, As Is:	\$32,635,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Carrillo product type, subject to the Assumptions and Limiting Conditions, and as of April 1, 2014:

\$32,635,000

(THIRTY-TWO MILLION SIX HUNDRED THIRTY-FIVE THOUSAND DOLLARS)

Then, the overall value conclusion is allocated to the individual owners (completed-sold homes) and the builder ownership (completed-unsold homes, homes under construction and vacant lots), all of which is Developed Property, as follows:

	<u>No.</u> <u>Lots</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Market Value</u>
<i>Individual Owners (Completed-Sold Homes):</i>	26	\$20,540,000	\$0	\$20,540,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	4	\$ 2,960,000	\$0	\$ 2,960,000
<i>Builder Ownership (Homes Under Construction):</i>	19	\$ 8,675,000	\$0	\$ 8,675,000
<i>Builder Ownership (Vacant Lots):</i>	<u>3</u>	<u>\$ 460,000</u>	<u>\$0</u>	<u>\$ 460,000</u>
	52	\$32,635,000	\$0	\$32,635,000

ADDENDA

**QUALIFICATIONS
OF
STEPHEN G. WHITE, MAI**

PROFESSIONAL EXPERIENCE

Real Estate Appraiser since 1976.

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

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

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

PROFESSIONAL ORGANIZATIONS

Member, Appraisal Institute; MAI designation obtained 1985

Affiliate Member, Pacific West Association of Realtors

LICENSES

Licensed by the State of California as a Certified General Real Estate Appraiser; OREA ID No. AG013311; valid through September 22, 2014.

EDUCATION

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

Appraisal Institute Courses:

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

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

COURT/TESTIMONY EXPERIENCE

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

TYPES OF PROPERTY APPRAISED

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

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

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

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

QUALIFICATIONS, Page 2

CLIENT LIST

Corporations:

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

Developers:

Brighton Homes	Mark Taylor, Inc.
Brookfield	Mission Viejo Co.
Citation Builders	Premier Homes
Davison-Ferguson Investment Devel.	Presley Homes
D.T. Smith Homes	Rockefeller & Associates
Irvine Company	Taylor Woodrow Homes
Kathryn Thompson Developers	Unocal Land & Development

Law Firms:

Baldikoski, Klotz & Dragonette	Oliver, Barr & Vose
Best, Best & Krieger LLP	Ollestad, Freedman & Taylor
Bowie, Arneson, Wiles & Giannone	Palmieri, Tyler, Wiener, Wilhelm & Waldron LLP
Bradshaw, John	Paul, Hastings, Jonofsky & Walker LLP
Bye, Hatcher & Piggott	Piggott, George B.
Callahan, McCune & Willis	Pothier, Rose
Cooksey, Coleman & Howard	Rosenthal & Zimmerman
Hamilton & Samuels	Rutan & Tucker, LLP
Horgan, Rosen, Beckham & Coren	Sikora & Price, Inc.
Kent, John	Smith & Politiski
Kirkland & Ellis	Williams, Gerold G.
Latham & Watkins LLP	Woodruff, Spradlin & Smart, P.C.
McKee, Charles C.	Yates, Sealy M.
Mosich, Nicholas J.	
Long, David M.	
Nossaman, Guthner, Knox & Elliott, LLP	

Financial Institutions:

Ahmanson Trust Company	Pacific Western Bank
Barclays Bank	San Clemente Savings & Loan
Chino Valley Bank	Security Pacific Bank
Continental Bank	Sunwest Bank
First Interstate Mortgage	United Calif. Savings Bank
First Wisconsin Bank	Washington Square Capital
National Credit Union Admin.	

QUALIFICATIONS, Page 3

Cities:

Anaheim	La Habra	San Clemente
Baldwin Park	Laguna Beach	Santa Ana
Buena Park	Long Beach	Santa Fe Springs
Cypress	Mission Viejo	Stanton
Dana Point	Orange	Temecula
Duarte	Placentia	Tustin
Fontana	Riverside	Yorba Linda
Fullerton	Seal Beach	

Counties:

County of Orange	County of Riverside
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Other Governmental:

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

School Districts:

Alvord Unified School Dist.	Newport-Mesa Unified School Dist.
Anaheim Union High School Dist.	Orange Unified School Dist.
Anaheim City School Dist.	Palm Springs Unified School Dist.
Banning Unified School Dist.	Placentia-Yorba Linda Unified Dist.
Capistrano Unified School Dist.	Poway Unified School Dist.
Castaic Union School Dist.	Rialto Unified School Dist.
Cypress School Dist.	Romoland School Dist.
Etiwanda School Dist.	Saddleback Valley Unif. School Dist.
Fullerton College	San Jacinto Unified School Dist.
Fullerton Joint Union High School Dist.	Santa Ana Unified School Dist.
Fullerton School Dist.	Saugus Union School Dist.
Garden Grove Unified School Dist.	So. Orange Cnty. Comm. College Dist.
Irvine Unified School Dist.	Westside Union School Dist.
Lake Elsinore Unified School Dist.	William S. Hart Union High Schl. Dist.
Moreno Valley Unified School Dist.	Victor Elementary School Dist.
Newhall School Dist.	

Churches/Church Organizations:

Calvary Church, Santa Ana	Lutheran Church, Missouri Synod
Central Baptist Church, Pomona	Presbytery of Los Rancho
Christian & Missionary Alliance Church, Santa Ana	St. Mark's Lutheran Church, Hac. Hts.
Christian Church Foundation	Vineyard Christian Fellowship
Congregational Church, Fullerton	Yorba Linda United Methodist Church
First Church of the Nazarene	

Other:

Biola University	Garden Grove Boys' Club
Cedars-Sinai Medical Center	The Sheepfold

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APPENDIX D

MARKET ABSORPTION STUDY

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**PRICE POINT AND MARKET ABSORPTION STUDY
COMMUNITY FACILITIES DISTRICT NO. 15
(DEL SUR EAST)**

**CURRENT BOND ISSUE COVERS
ONLY
IMPROVEMENT AREA A**

PREPARED FOR

**POWAY UNIFIED SCHOOL DISTRICT
SAN DIEGO COUNTY, CALIFORNIA**

PREPARED BY

EMPIRE ECONOMICS, INC.

JOSEPH T. JANCZYK Ph.D.

APRIL 18, 2014

(GRAMMATICAL REVISIONS: MAY 29, 2014)

**THE USE OF THIS MARKET ABSORPTION STUDY IS AUTHORIZED ONLY
FOR THE POWAY UNIFIED SCHOOL DISTRICT CFD NO. 15 IA-A BOND ISSUE**

EXECUTIVE SUMMARY

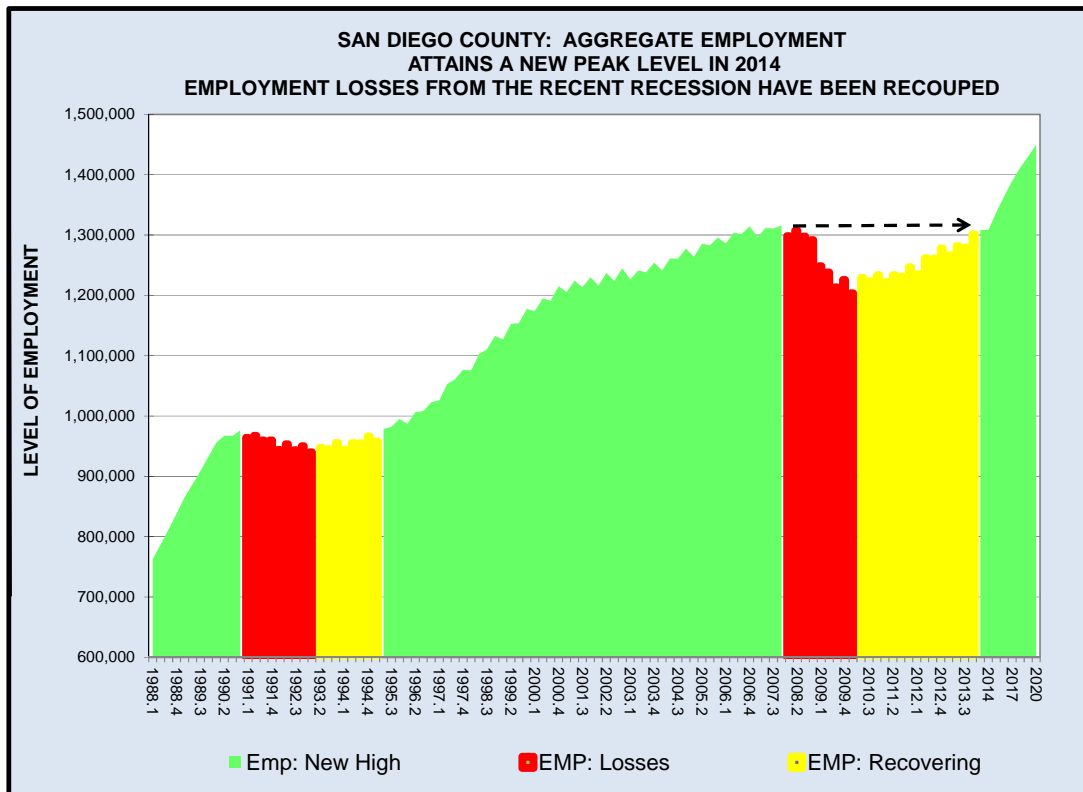
The Poway Unified School District retained Empire Economics Inc. (Empire), an economic and real estate consulting firm specializing in land-secured financing on behalf of public entities only, to perform a Price Point and Market Absorption Study for CFD No. 15. Accordingly, the Study conducts a comprehensive analysis of the product mix characteristics, the macroeconomic as well as the microeconomic factors, and the potential risk factors that are expected to influence the absorption of the currently active/forthcoming residential products for CFD No. 15, in general and also for IA-A, in particular.

Product Mix Characteristics: For the homes in CFD No. 15, as a whole, their estimated prices amount to approximately \$707,000, on the average, with a range of \$450,000 to \$1,149,000 for about 2,419 sq.ft. of living area, on the average, with a range of 1,500 to 4,771 sq.ft., for a value ratio (price/living area) of \$292, on the average.

Their overall tax burden, including ad valorem property and Mello Roos taxes relative to the estimated sales price, is expected to amount to approximately 1.90%.

With regards to IA-A, in particular, there are 209 homes in four projects by Standard Pacific Homes: one with an attached product and three with single-family detached products.

Economic Conditions: San Diego County’s prior peak employment level of 1,309,000 occurred in 2007. But then due to the great economic recession, the level of employment declined to 1,222,000 in 2010, a decrease of -87,000. Since the level of employment is now surpassing its prior peak level, the prior employment losses have been recouped, which has enabled the housing market to recover. Furthermore, additional new employment gains will provide the housing market with further momentum.

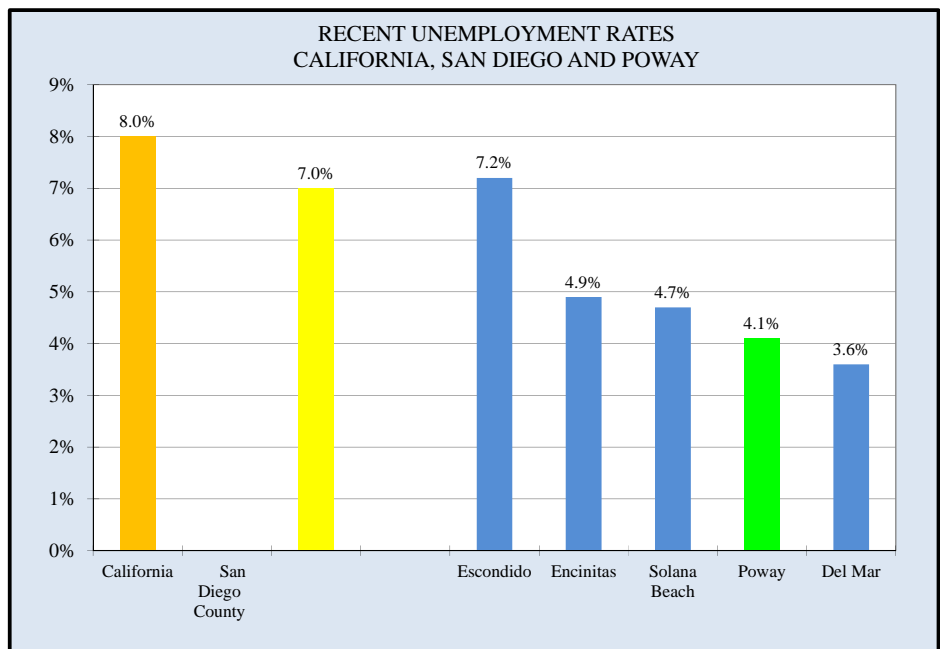


A generally reliable indicator of the relative performance of a local economy is its unemployment rate, the proportion of households that reside in the local area that are not employed; local areas with relatively low unemployment rates have the following desirable attributes:

- The higher proportion of the population that is employed supports its housing market.
- A relatively high proportion of these homeowners have positive equity levels.
- The value of developable property tends to be positive which supports new development.

Based upon an analysis of recent unemployment rates, the results are as follows:

- California has an unemployment rate of 8.0%; this serves as a benchmark.
- San Diego County has an unemployment rate of 7.0%, much lower than for California.
- The City of Poway has an unemployment rate of only 4.1%, significantly below the County's.

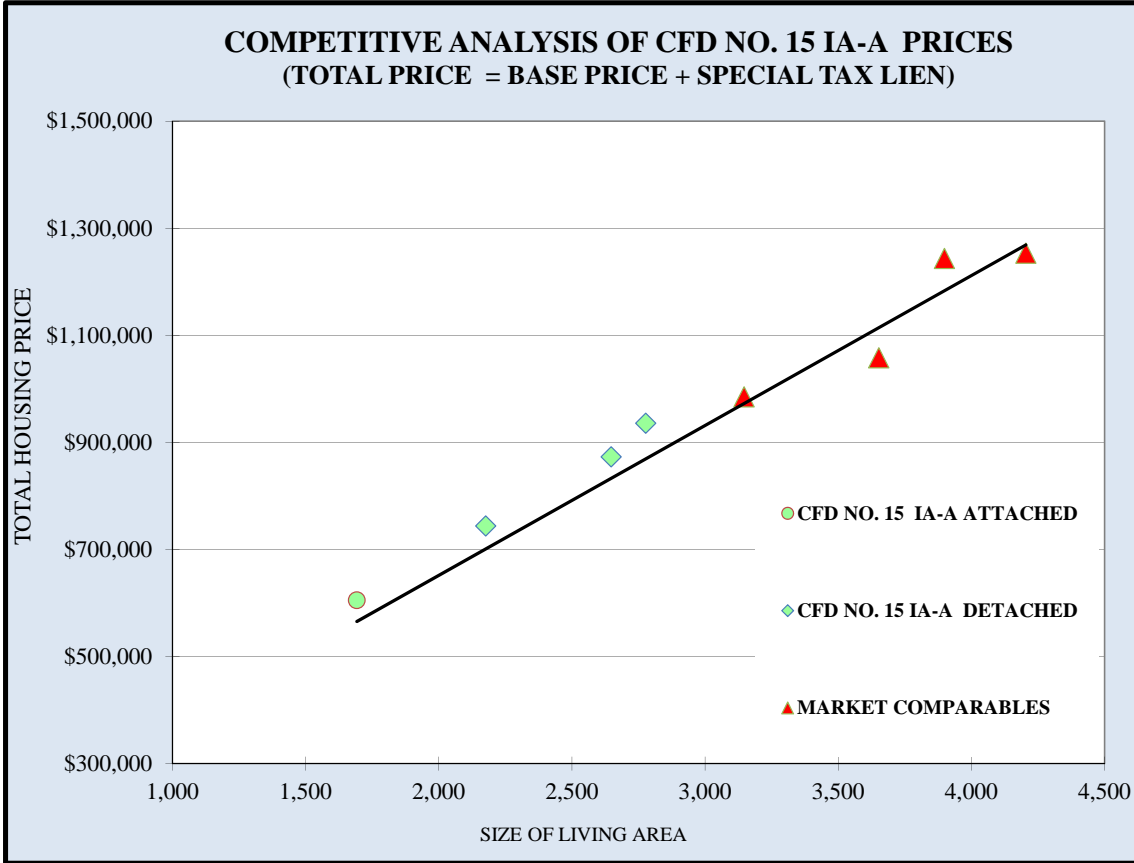


High Quality of Schools: From a socioeconomic perspective, the schools in the Poway Unified School District, in general, and the specific schools in the CFD No. 15 Neighborhood Area, in particular, have higher educational achievement levels than for schools in California, as a whole. So, the Poway Unified School District schools in the CFD No. 15 Neighborhood Area are regarded as being very desirable from a socioeconomic perspective.

Comparison of Proposed Price Points: To evaluate Standard Pacific Home's Price Points for CFD No. 15 IA-A, Empire utilized the following algorithm:

- The currently active residential projects in the CFD Competitive Market Area were identified and surveyed; there are eight currently active projects including the Planned Communities of Del Sur East IA-A (4 projects) IA-B (2 projects), Del Sur West (1) and Pacific Highlands Ranch (1).
- An analysis of the full prices (base sales prices and Special Tax liens) of the comparable projects for homes with various sizes of living areas was performed, using their prices as well as their special tax levels.

The black trendline in the graph represents the best fit for the currently active comparable projects between total housing prices and size of living area.



- **CFD No. 15 IA-A:** From an overall perspective of the level of housing prices, the prices for the projects in IA-A are below those of the market comparables, because they have lower sizes of living area.
- ✓ **CFD No. 15 IA-A Attached Product:** This is represented by the “green” circle, and it is similar to the trendline for the market comparables, so this project is regarded as being competitive in the marketplace.
- ✓ **CFD No. 15 IA-A Detached Products:** These are represented by the “green ” diamonds, and these are also similar to the trendline for the market comparables, so they are also regarded as being competitive in the marketplace.

Therefore, this Competitive Market Analysis reveals that the Price Points for the currently active projects/products in CFD No. 15 IA-A, are regarded as being competitive in the marketplace.

Empire’s Estimated Absorption Schedules for CFD No. 15 - Aggregate: Empire estimated the expected absorption schedules for the currently active/forthcoming residential products in CFD No. 15 through a comprehensive analysis of the following factors:

- The anticipated development/marketing schedule for the sixteen projects with regards to when the projects will open their model complexes, based upon information provided by Standard Pacific Homes, are as follows:
 - ✓ 2013: 3 projects; 2 of these are in IA-A
 - ✓ 2014: 7 projects; 2 of these are in IA-A
 - ✓ 2015: 3 projects
 - ✓ 2016: 1 project
 - ✓ 2017: 1 project
 - ✓ 2018+: 1 projectEmpire regards the development/marketing schedule set-forth above as representing the potential “supply” of homes that Standard Pacific Homes can make available for homeowners; however, the actual sales of the homes will be driven by market demand.
- The market demand for homes in the CFD Market Area is based upon recent/expected economic and real estate factors, according to the Most Probable Economic Scenario for San Diego County as a whole as well as for the CFD No. 15 Market Area in particular.
- The competitive market analysis of the currently active comparable projects revealed that the active/forthcoming projects in CFD No. 15 are competitive in the Competitive Housing Market Area.

To estimate the absorption schedule for the 16 projects, the following algorithm, using their product types and prices as well as the supply schedule provided by Standard Pacific Homes, was utilized:

The 1,164 homes in CFD No. 15 started absorption in 4th-Qtr. 2013, when escrow closings to homeowners commenced, and are expected to continue through 2020, when all of the homes are built/occupied, for an overall absorption rate of approximately 177 homes per year, on the average.

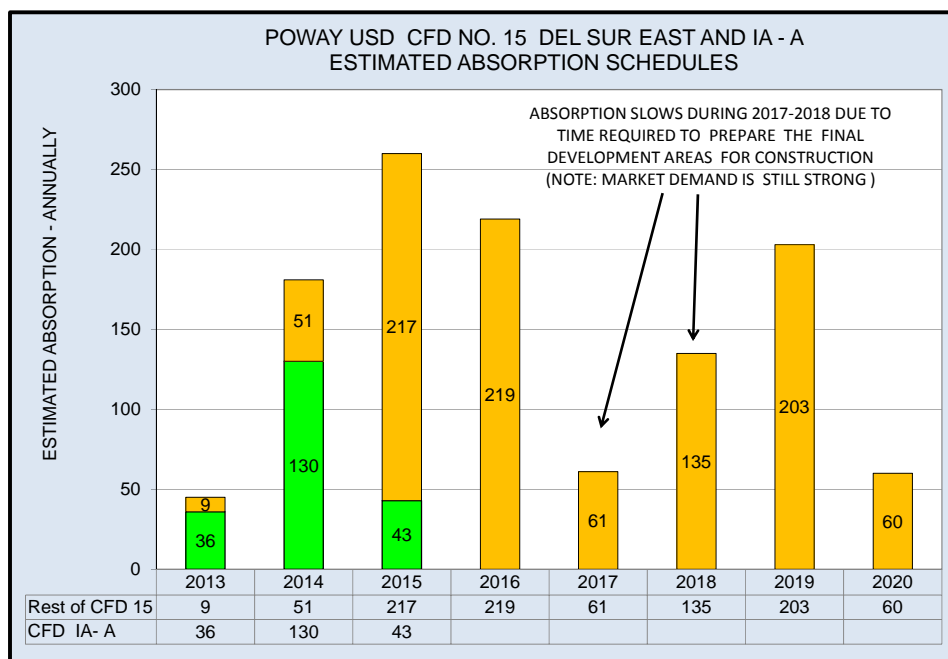
- The absorption rate is strongest during 2015 to 2016, when many of the projects are in the marketplace, resulting in absorption rates of 260 and 219 homes, respectively.
 - ✓ By comparison, for Del Sur West, the Planned Community located adjacent to CFD No. 15, its peak absorption rate of 197 homes occurred in 2007, while its recent absorption rates have amounted to 163 homes in 2011 and 166 homes in 2012, due to most of the projects being closed-out.
- The rate of absorption declines somewhat for 2017 and 2018 as the active projects are closed-out but new projects are not yet ready to enter the marketplace since they require additional time for their infrastructure to be completed.
- For 2019, the absorption rate increases to 203 homes, and then the remaining 60 homes are closed out in 2020.

Empire’s Estimated Absorption Schedules for CFD No. 15 Improvement Area A: Empire estimated the expected absorption schedules for the four projects in CFD No. 15 IA-A:

- The anticipated development/marketing schedule for the projects with regards to opening their model complexes are as follows: :
 - ✓ 2013: 2 projects: Hawthorne and Carrillo
 - ✓ 2014: 2 projects: Prado and Garreston

- The absorption rate (escrows closings by homeowners) for these projects is as follows:
 - ✓ For 2013, 36 homes closed escrows in two active projects.
 - ✓ For 2014, 130 homes in four active projects.
 - ✓ For 2015, the final 43 homes.
 So, the 209 homes are expected to be absorbed by the latter portion of 2015.

Please refer to the following pages for detailed information on the product mix and absorption schedule for CFD NO. 15, as a whole, as well as IA-A, in particular.



B. DISCUSSION OF POTENTIAL RISK FACTORS

Macroeconomic: Potential unexpected adverse changes in overall economic conditions due to some unforeseen event that causes substantial reductions in employment and/or significantly higher mortgage rates.

Microeconomic: Changes in the CFD No. 15 Market Area’s housing market; however, such risk factors are regarded as being minimal since it is very well positioned in the marketplace.

Project Related: Presently, the developer, Standard Pacific Homes, is expected to be the primary builder for most of the projects in CFD No. 15.

Finally, the estimated absorption schedules are subject to the additional Assumptions and Qualifications set-forth in the full market study.

CFD NO. 15 (DEL SUR EAST): PRODUCT MIX CHARACTERISTICS AND ESTIMATED ABSORPTION SCHEDULES

Subject to Revision

	A	A	A	A	B	B	B	C	C	C	C	D	D	D	D	D	Totals	Averages
Improvement Areas	A	A	A	A	B	B	B	C	C	C	C	D	D	D	D	D		
Planning Areas	V-E1	V-D1	V-F1	VII - Parcel J	V-A1	V-B1	VII - A3-2	VI-G	VI-H	VI	VI-Q	VII - Parcel P	VII - Parcel F	VII - Parcel G	VII - Par K, L, M	VI-D1		
Phases	5	5	5	7	5	5	5	6	6	6	6	7	7	7	7	6		
Product Name/Description	Hawthorne	Carrillo	Prado	Garretson	Marston	Sentinels	Adult	Avondale	Kingston	Stratford	Preston	Garretson II		Town	Town	Carrillo II		
Lot Size	50 X 80	42 X 92	Motor Court	Row Home	7200's	6000's		6000's	7500's	55 X 70's	5000's	Row Home		Center	Center	42 X 92		
Builders	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Brookfield	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific		
Housing Units																		
Totals	49	52	63	45	54	39	205	63	50	72	78	26	119	63	170	16	1,164	
Share	4.2%	4.5%	5.4%	3.9%	4.6%	3.4%	17.6%	5.4%	4.3%	6.2%	6.7%	2.2%	10.2%	5.4%	14.6%	1.4%	100.0%	
Marketing Status:																		
Models Open: Qtr/Yr	3rd Qtr / 2013	2nd Qtr / 2013	2nd Qtr / 2014	2nd Qtr / 2014	3rd Qtr / 2013	1st Qtr / 2014	1st Qtr / 2016	1st Qtr / 2015	1st Qtr / 2015	4th Qtr / 2014	4th Qtr / 2014	4th Qtr / 2014	2nd Qtr / 2017	2nd Qtr / 2018	1st Qtr / 2015	1st Qtr / 2014		
Start Move Ins: Qtr/Yr	4th Qtr / 2013	4th Qtr / 2013	3rd Qtr / 2014	3rd Qtr / 2014	4th Qtr / 2013	3rd Qtr / 2014	2nd Qtr / 2016	2nd Qtr / 2015	2nd Qtr / 2015	2nd Qtr / 2015	2nd Qtr / 2015	2nd Qtr / 2015	3rd Qtr / 2017	3rd Qtr / 2018	3rd Qtr / 2015	3rd Qtr / 2014		
Marketing Status:																		
Occupied: April 2014	23	26	0	0	12	0	0	0	0	0	0	0	0	0	0	0	61	
Future Occupancies: April 2014+	26	26	63	45	42	39	205	63	50	72	78	26	119	63	170	16	1,103	
Number of Homes																		
Plan # 1	16	17	21	15	18	13	69	21	17	24	26	8	40	21	57	5		
Plan # 2	17	18	21	15	18	13	68	21	17	24	26	9	40	21	57	6		
Plan # 3	16	17	21	15	18	13	68	21	16	24	26	9	39	21	56	5		
Plan # 4																		
Plan # 5																		
Plan # 6																		
Totals	49	52	63	45	54	39	205	63	50	72	78	26	119	63	170	16	1,164	
Living Areas																		
Plan # 1	2,600	2,483	1,905	1,518	3,929	2,784	1,692	3,915	4,600	2,500	2,917	1,518	1,500	1,500	1,500	2,483		
Plan # 2	2,701	2,771	2,191	1,641	4,152	3,219	1,787	4,473	4,717	2,669	3,092	1,628	1,500	1,500	1,500	2,771		
Plan # 3	2,955	2,812	2,448	1,867	4,480	3,509	2,597	4,583	5,011	2,992	3,322	1,867	1,500	1,500	1,500	2,812		
Plan # 4																		
Plan # 5																		
Plan # 6																		
Averages	2,751	2,690	2,181	1,675	4,187	3,171	2,024	4,324	4,771	2,720	3,110	1,677	1,500	1,500	1,500	2,694	2,419	
Estimated Prices: Standard Pacific																		
			- Estimated -					- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -		
Plan # 1	\$838,900	\$775,900	\$630,000	\$505,900	\$1,122,900	\$873,000	\$597,000	\$1,025,000	\$1,100,000	\$798,000	\$861,000	\$491,000	\$450,000	\$450,000	\$450,000	\$775,900		
Plan # 2	\$819,900	\$799,900	\$675,000	\$529,900	\$1,103,900	\$897,000	\$670,000	\$1,045,000	\$1,150,000	\$813,000	\$891,000	\$514,000	\$450,000	\$450,000	\$450,000	\$799,900		
Plan # 3	\$852,900	\$802,900	\$715,000	\$587,900	\$1,175,900	\$908,000	\$805,000	\$1,065,000	\$1,200,000	\$843,000	\$921,000	\$567,000	\$450,000	\$450,000	\$450,000	\$802,900		
Plan # 4																		
Plan # 5																		
Plan # 6																		
Averages	\$836,880	\$793,035	\$673,333	\$541,233	\$1,134,233	\$892,667	\$690,210	\$1,045,000	\$1,149,000	\$818,000	\$891,000	\$525,269	\$450,000	\$450,000	\$450,000	\$793,338	\$707,049	
Value Ratios	\$304	\$295	\$309	\$323	\$271	\$282	\$341	\$242	\$241	\$301	\$286	\$313	\$300	\$300	\$300	\$295	\$292	
Planning Areas & Projects	A: V-E1	A: V-D1	A: V-F1	A: VII - Parcel J	B: V-A1	B: V-B1	B: VII - A3-2	C: VI-G	C: VI-H	C: VI	C: VI-Q	D: VII - Parcel P	D: VII - Parcel F	D: VII - Parcel G	K, L, M	D: VI-D1	Annually	Cumulative
Estimated Absorption Schedules																		
2013	16	20	0	0	9	0	0	0	0	0	0	0	0	0	0	0	45	45
2014	33	32	20	45	31	15	0	0	0	0	0	0	0	0	0	5	181	226
2015	0	0	43	0	14	24	0	23	18	33	37	26	0	0	31	11	260	486
2016	0	0	0	0	0	0	58	37	32	39	41	0	0	0	12	0	219	705
2017	0	0	0	0	0	0	43	3	0	0	0	0	15	0	0	0	61	766
2018	0	0	0	0	0	0	55	0	0	0	0	0	55	25	0	0	135	901
2019	0	0	0	0	0	0	49	0	0	0	0	0	49	38	67	0	203	1,104
2020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	60	0	60	1,164
Totals	49	52	63	45	54	39	205	63	50	72	78	26	119	63	170	16	1,164	

TABLE OF CONTENTS

INTRODUCTION

- A. Overview of CFD No. 15 and the Bond Financing Program.....1
- B. Methodology Underlying the Price Point and Market Absorption Study.....4

SECTION I: EXPECTED RESIDENTIAL PRODUCT MIX CHARACTERISTICS

- A. Characteristics of the Expected Residential Product Mix for CFD No. 15 (Del Sur East).....5

SECTION II: MACROECONOMIC ANALYSIS: DESIGNATED ECONOMIC AND REAL ESTATE FORECASTING SCENARIO

- A. Overview of the Economic and Real Estate Forecasting Model.....9
- B. Critical Components of the Economic and Real Estate Forecasting Model.....10
- C. Economic- Employment Conditions in the CFD No. 15 Market Area.....15
- D. Conclusions on Recent/Future Housing Market Conditions in the CFD No. 15 Market Area.....16

SECTION III: MICROECONOMIC ANALYSIS: DEVELOPMENT TRENDS/PATTERNS AND SCHOOL/EDUCATIONAL QUALITY

- A. Development Trends/Patterns in the San Diego County and the CFD No. 15 Market Area.....17
- B. Quality of Schools / Education in San Diego County and the CFD No. 15 Neighborhood.....19

SECTION IV: COMPETITIVE MARKET ANALYSIS OF THE CURRENTLY ACTIVE PROJECTS IN CFD NO. 15 AND ALSO IA-A

- A. Comparison of Prices, Living Areas and Special Tax Levels.....21
- B. Evaluation of the Prices for the Projects in CFD No. 15 IA-A25

SECTION V: ESTIMATED ABSORPTION SCHEDULES FOR THE ACTIVE/ FORTHCOMING RESIDENTIAL PROJECTS IN CFD NO. 15 INCLUDING IA-A

- A. Estimated Absorption Schedules for the Active/Forthcoming Residential Projects in CFD No. 15 and IA-A.....28
- B. Discussion of Potential Risk Factors.....29

SECTION VI: ASSUMPTIONS AND LIMITING CONDITIONS

- Assumptions and Limiting Conditions.....32

APPENDIX A: CREDENTIALS/QUALIFICATIONS OF EMPIRE ECONOMICS AND CERTIFICATE OF INDEPENDENCE

INTRODUCTION

A. OVERVIEW OF CFD NO. 15 AND THE BOND FINANCING PROGRAM

The Poway Unified School District was previously petitioned by Black Mountain Ranch/Standard Pacific Homes to form Community Facilities District (CFD) No. 15 for the Planned Community of Del Sur East to assist with the financing of school facilities and general infrastructure such as water, sewer and roads, among others, that are required to support the development of its forthcoming residential products.

The Planned Community of Del Sur East is located in the central-easterly portion of San Diego County, westerly of the City of Poway near Camino Del Sur (to the north) and Camino Del Norte (to the east). Del Sur East is expected to have 1,164 for-sale residential homes upon build-out along with a copious amenity package and high quality schools.

The Poway Unified School District retained Empire Economics Inc. (Empire), an economic and real estate consulting firm specializing in land-secured financing, to perform the Price Point and Market Absorption Study for the currently active/forthcoming residential products in CFD No. 15. The study performs a comprehensive analysis of the product mix characteristics, the macroeconomic as well as the microeconomic factors and potential risk factors that are expected to influence the absorption of the currently active/forthcoming residential products in the CFD No. 15, general, and also IA-A, in particular, in order to arrive at conclusions regarding the following:

- The estimated absorption schedules for the for-sale homes for each of the currently active/forthcoming sixteen projects, from their market-entry to build-out, on an annualized basis.
- The competitiveness of prices for the forthcoming residential products in CFD No. 15, as represented by Standard Pacific Homes, relative to the currently active comparable projects.

With regards to other developments in the vicinity of CFD No. 15, their characteristics are as follows:

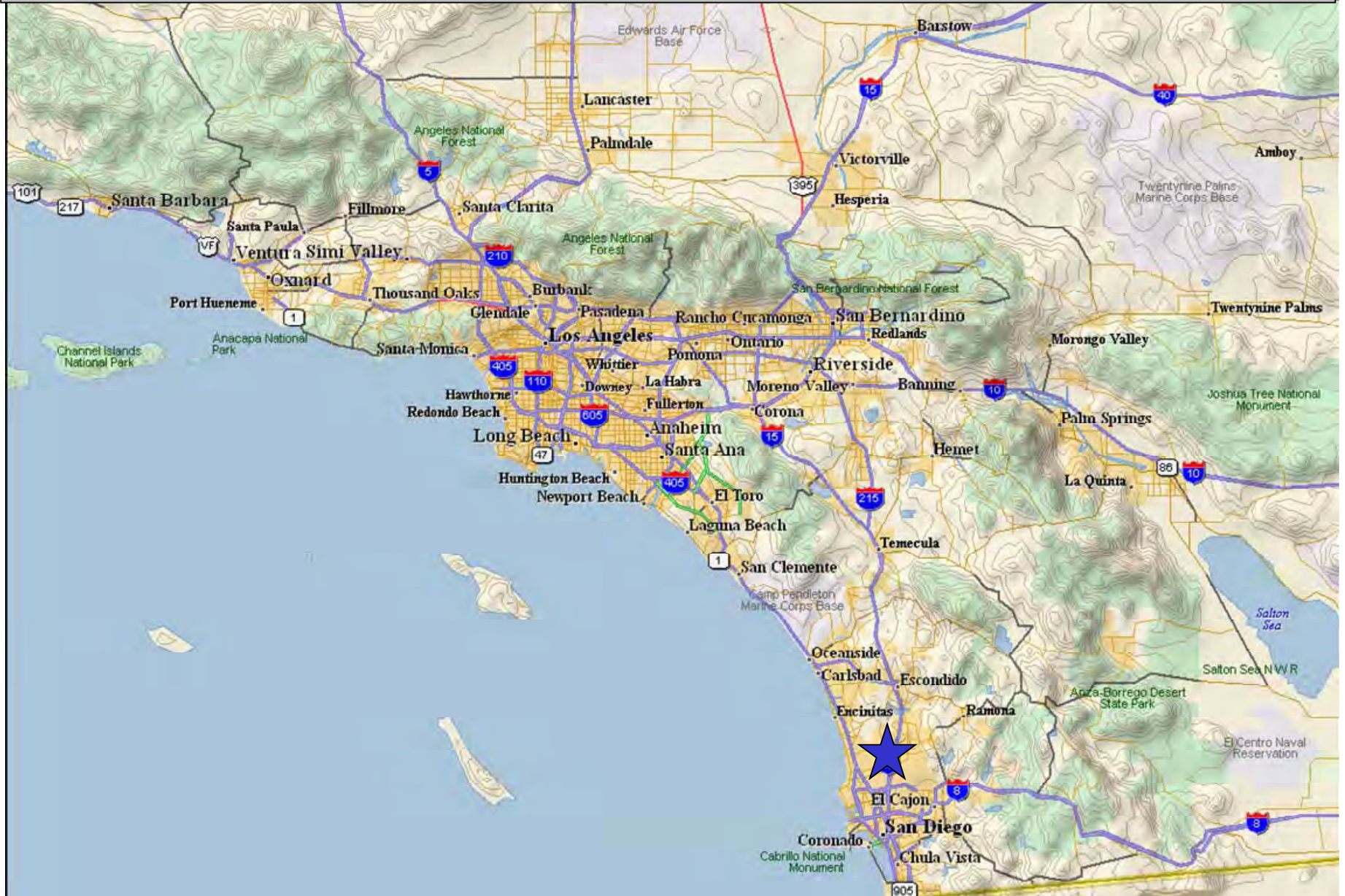
- Immediately to the west is the Planned Community of Del Sur West which is expected to have a total of 1,148 homes; since its market-entry in 2006, almost all of these homes have closed escrows to homeowners.
- To the north is a planned Business Park which is expect to develop some 515,000 sq.ft. of building space for future businesses; this site is presently being graded.
- Also to the north is a planned Retail Center which is expected to develop some 225,000 sq.ft. of building space for retail stores; this site is also presently being graded.

The current Bond Issue covers the projects ONLY in Improvement Area A.

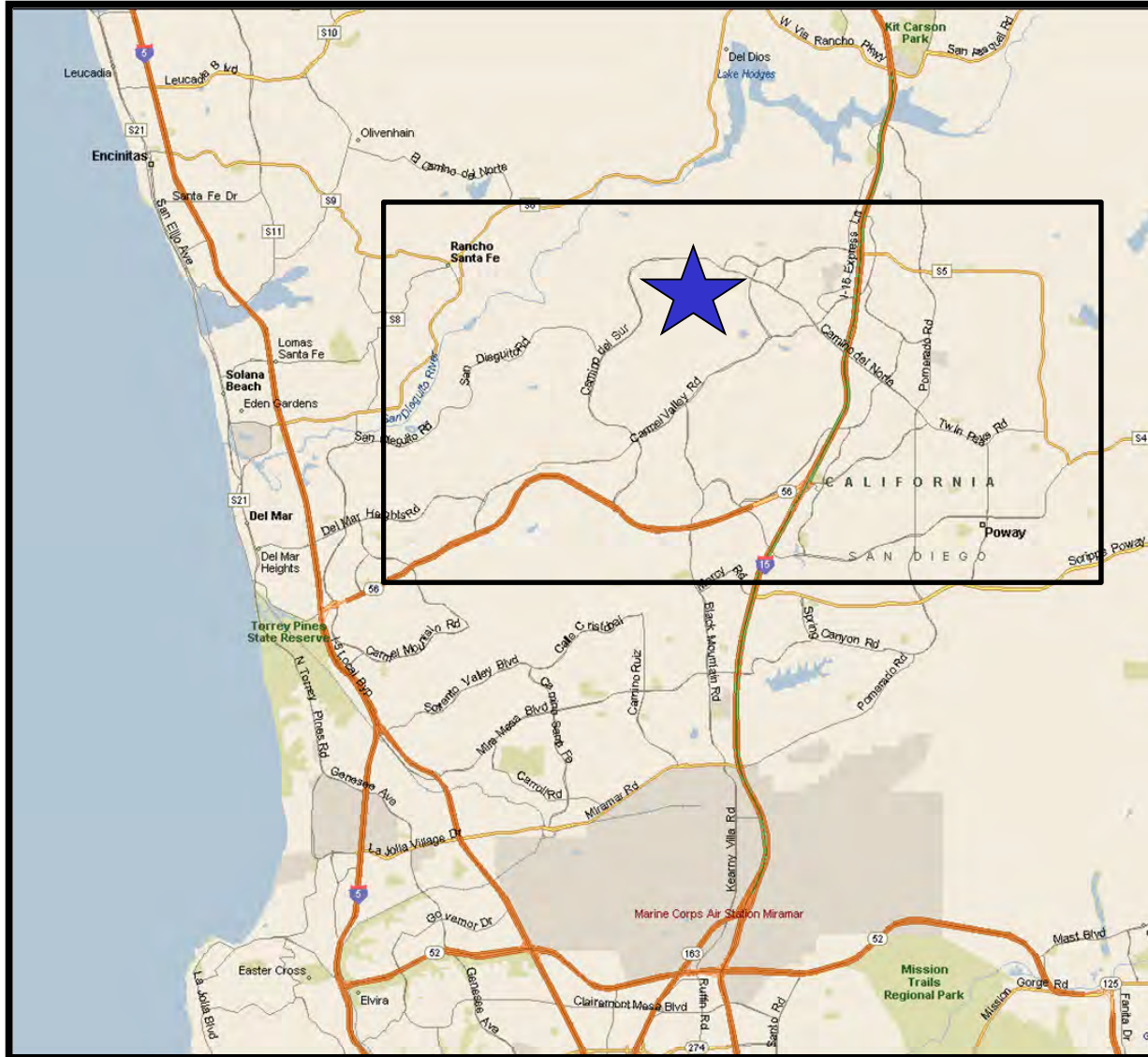
For information on the location and development status of CFD No. 15, please refer to the maps/exhibits on the following pages.

SOUTHERN CALIFORNIA MARKET REGION

LOCATION OF POWAY USD CFD NO. 15



MARKET AREA FOR CFD NO. 15 : POWAY AND ITS VICINITY



B. METHODOLOGY UNDERLYING THE PRICE POINT AND MARKET ABSORPTION STUDY

The Market Absorption Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors, microeconomic factors and the potential risk factors that are expected to influence the absorption of the forthcoming residential projects in CFD No. 15 (Del Sur East).

I. Expected Residential Product Mix Characteristics

II. Macroeconomic Analysis: Designated Economic and Real Estate Forecasting Scenario

III. Microeconomic Analysis: Development Trends/Patterns and School Educational Quality

IV. Competitive Market Analysis of the Currently Active Residential Projects in CFD No. 15

V. Estimated Absorption Schedules for the Currently Active/Forthcoming Residential Projects in CFD No. 15

VI. Assumptions and Limiting Conditions

SECTION I:

EXPECTED RESIDENTIAL PRODUCT MIX CHARACTERISTICS

CFD No. 15, Del Sur East, has a development potential for an estimated 1,164 homes in sixteen residential projects that feature attached and detached product types in various price ranges; currently, Standard Pacific Homes is expected to be the developer/builder for most of these projects.

Due to the large number of its homes in CFD No. 15, it has been partitioned into four separate Improvement Areas for financing purposes, to facilitate the issuance of its bonds, in accordance with the phasing of the development/marketing of the homes.

For the homes in CFD No. 15, as a whole, their estimated prices amount to approximately \$707,000, on the average, with a range of \$450,000 to \$1,149,000 for about 2,419 sq.ft. of living area, on the average, with a range of 1,500 to 4,771 sq.ft., for a value ratio (price/living area) of \$292, on the average. Accordingly, the product mix characteristics for each of the improvement areas are as follows:

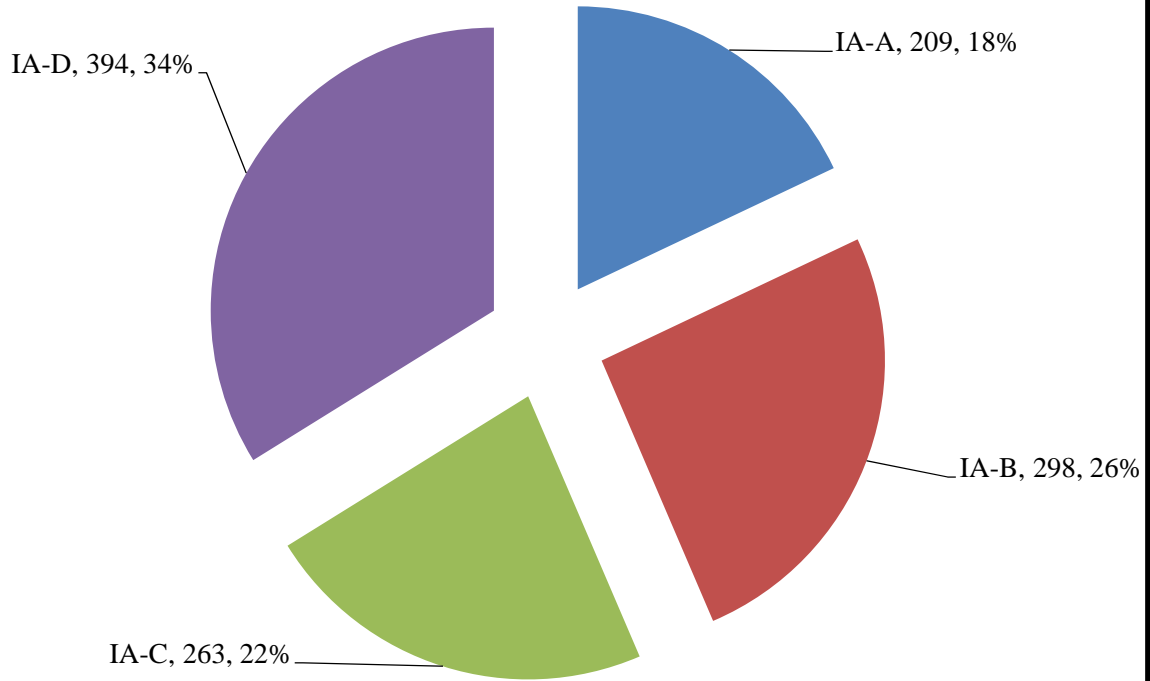
- **Improvement Area A** is expected to have four projects with 209 homes (18% of the overall); three of these are currently on the marketplace. Their base prices are expected to range from \$505,900 to \$852,900 for some 1,518 to 2,955 sq.ft. Two of these projects have opened their model complexes, and the other two projects are expected to have their model complexes opened by July 2014.
- **Improvement Area B** is expected to have three projects with 298 homes (26% of the overall); two of these projects are currently on the marketplace and the other expects to open its model complex in 1st-2016. For the three projects, their base prices are expected to range from \$597,000 to \$1,175,900 for some 1,692 to 4,480 sq.ft.
- **Improvement Area C** is expected to have four projects with 263 homes (22% of the overall); none of these are currently on the marketplace. Their base prices are expected to range from \$798,000 to \$1,200,000 for some 2,500 to 5,011 sq.ft. The projects in this area are expected to open model complexes during 4th-2014 to 1st-2015.
- **Improvement Area D** is expected to have five projects with 394 homes (34% of the overall); none of these projects are currently on the marketplace. Their base prices are expected to range from \$403,520 to \$567,000 for some 1,500 to 2,400 sq.ft. The projects in this area are expected to start to open model complexes during 1st-2014 through 2nd-2018.

So, CFD No. 15 provides housing products oriented towards a broad spectrum of market segments, based upon their product types as well as their ranges of prices and living areas.

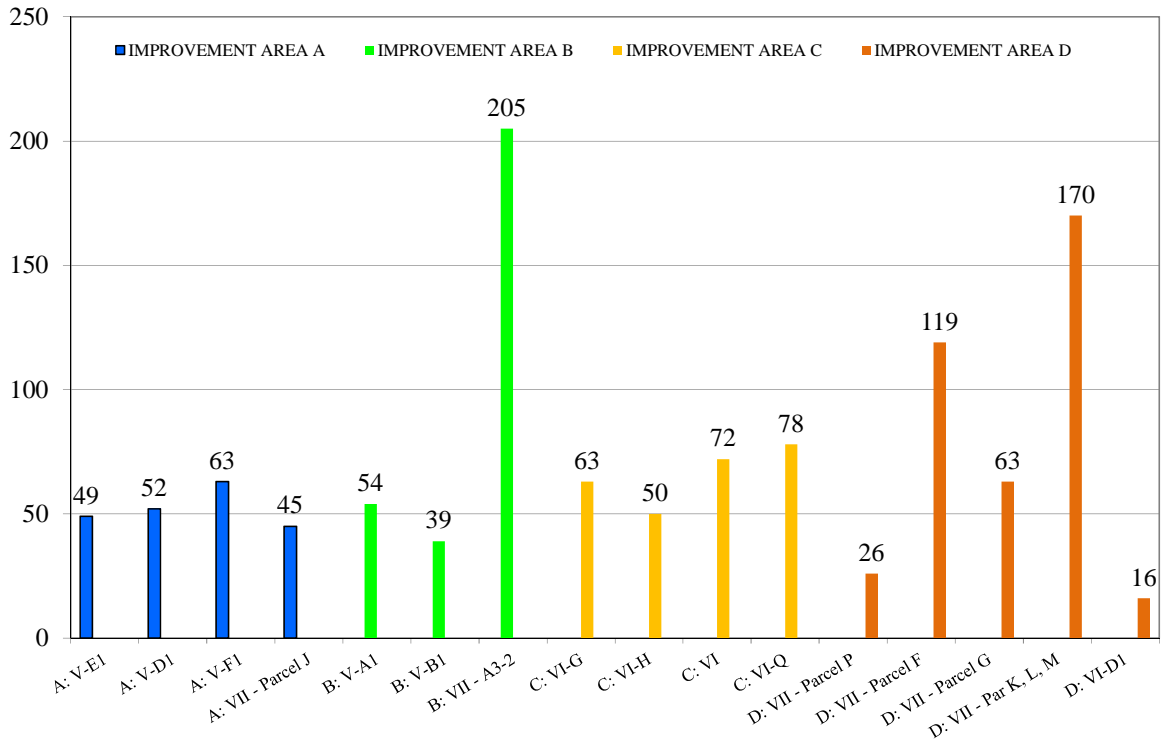
Their overall tax burden, property and Mello Roos taxes relative to the estimated sales price, is expected to amount to approximately 1.90%.

For more information on these projects, please refer to the following graphs.

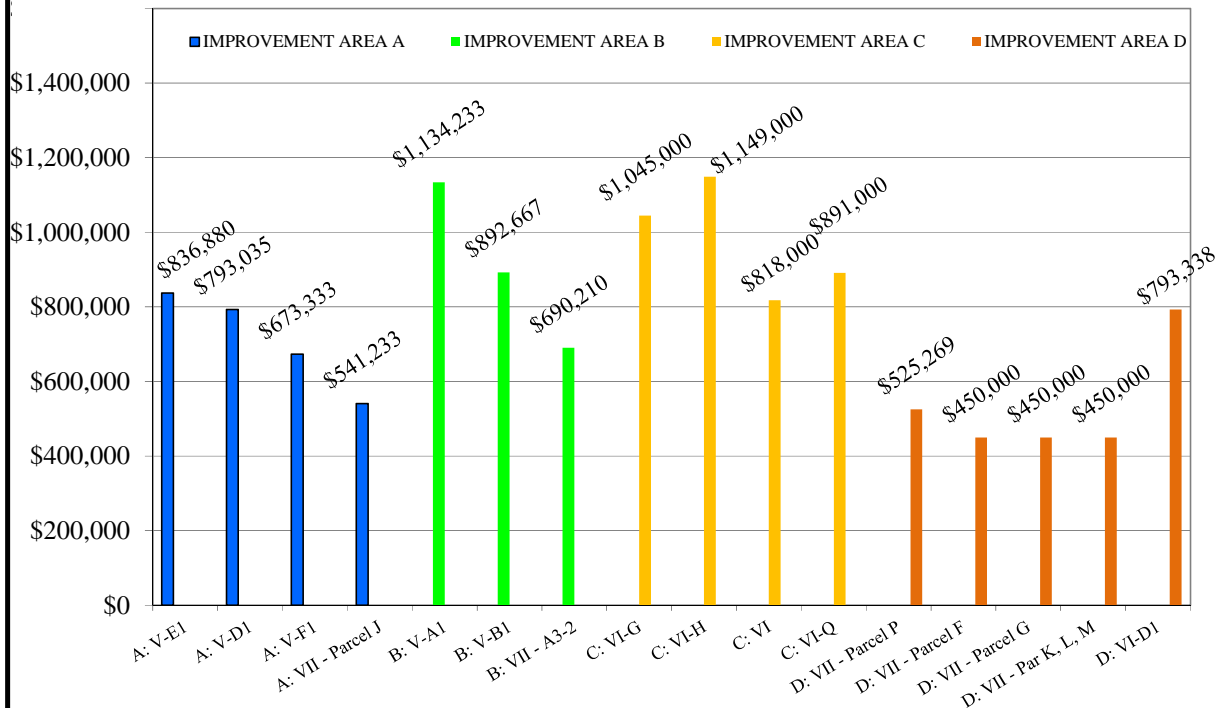
COMPOSITION OF THE PLANNED PRODUCT TYPES IN CFD NO. 15 BY IMPROVEMENT AREAS



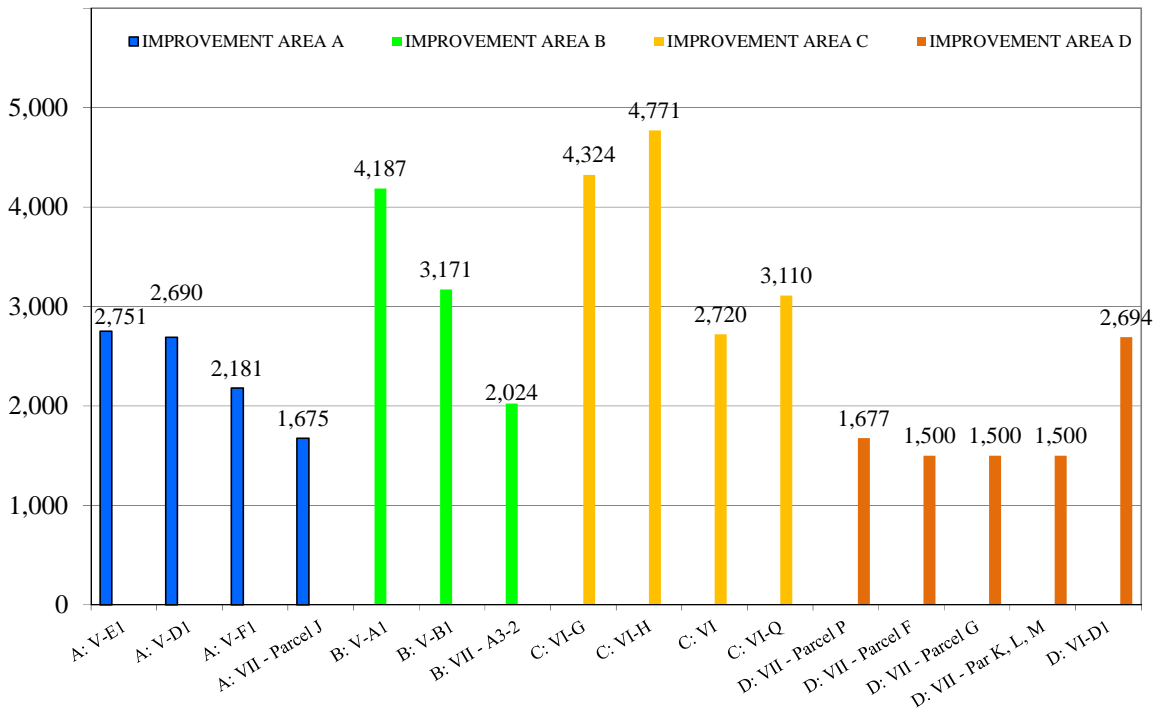
POWAY USD CFD NO. 15 DEL SUR EAST NUMBER OF HOMES BY IMPROVEMENT AREAS / PROJECTS



**POWAY USD CFD NO. 15 DEL SUR EAST
ESTIMATED BASE PRICES BY IMPROVEMENT AREAS/PROJECTS**



**POWAY USD CFD NO. 15 DEL SUR EAST
SIZES OF LIVING AREA BY IMPROVEMENT AREAS / PROJECTS**



SECTION II:

**MACROECONOMIC ANALYSIS:
DESIGNATED ECONOMIC AND REAL ESTATE
FORECASTING SCENARIO**

This section describes the Economic and Real Estate Model underlying the forecasts for the absorption of the CFD No. 15 residential products during the foreseeable future; accordingly, this involves a systematic analysis of the following:

A. Overview of the Economic and Real Estate Forecasting Model

B. Critical Components of the Economic and Real Estate Forecasting Model:

Employment as the Primary Driver of Housing Demand and Prices

Mortgage Rates as a Secondary Economic Driver of Housing Demand and Prices

High Levels of Mortgage Defaults Constrain Price Increases

New Residential Development Activity is Driven by Employment Growth and Price Increases

C. Economic-Employment Conditions in the CFD No. 15 Market Area

Current Unemployment Rates: California, San Diego County and the CFD Market Area

D. Conclusions on the Recent/Future Housing Market Conditions in the CFD No. 15 Market Area

A. OVERVIEW OF THE ECONOMIC AND REAL ESTATE FORECASTING MODEL

RECENT/EXPECTED REAL ESTATE MARKET TRENDS/PATTERNS FOR SAN DIEGO COUNTY AND THE CFD MARKET AREA

IMPACT OF EMPLOYMENT

STRONGER THAN ANTICIPATED EMPLOYMENT GROWTH ACCELERATES THE REAL ESTATE RECOVERY



EMPLOYMENT CHANGES, WHICH DEPEND UPON THE OVERALL ECONOMY, MAY SHIFT THIS PARADIGM



LOWER THAN ANTICIPATED EMPLOYMENT GROWTH ELONGATES THE REAL ESTATE RECOVERY

PHASE 1: PRICE DECLINES 2007 TO 2009
HOUSING PRICES ADJUST FROM PEAK LEVELS BACK TO EQUILIBRIUM, BASED UPON HOUSEHOLD INCOMES AND CONVENTIONAL FINANCING TECHNIQUES

PRICES DECLINE SIGNIFICANTLY DUE INITIALLY TO MORTGAGE RESETS AND THEN PRICE DECLINES CONTINUE DUE TO NEGATIVE EQUITY FOR HOMEOWNERS

PHASE 2: PRICES STABILIZE 2010 TO 2012

FORECLOSURE AND SHORT-SALES DOMINATED THE MARKET

FORECLOSURE/SHORT SALES WERE A SIGNIFICANT COMPONENT OF THE MARKET
MARKET SALES OF EXISTING HOMES WERE MODERATE
SALES OF NEW HOMES WERE MINIMAL – DISPLACED BY FORECLOSURE SALES

MOST OF THE HOMES THAT HAVE SIGNIFICANT LEVELS OF NEGATIVE EQUITY WERE CLEARED IN THE MARKETPLACE

PHASE 3: HOUSING MARKET RECOVERY 2013-2015+

STRONG EMPLOYMENT GROWTH IN THE CFD MARKET REGION, SAN DIEGO COUNTY AND STRONG EMPLOYMENT GROWTH FOR THE CFD NEARBY CITY, POWAY, IN PARTICULAR

EMPLOYMENT GROWTH DRIVES HOUSING DEMAND AND PRICE APPRECIATION, SO THE MARKET IS SUFFICIENTLY STRONG TO SUPPORT NEW RESIDENTIAL PROJECTS BUT POTENTIAL NEAR-TERM CHALLENGES ARE REDUCING THE FEDERAL DEFICIT AND THE FEDERAL RESERVE RE-BALANCING ITS FINANCIAL ACCOUNTS

IMPACT OF MORTGAGE RATES

LOWER THAN ANTICIPATED MORTGAGE RATES ACCELERATE THE REAL ESTATE RECOVERY

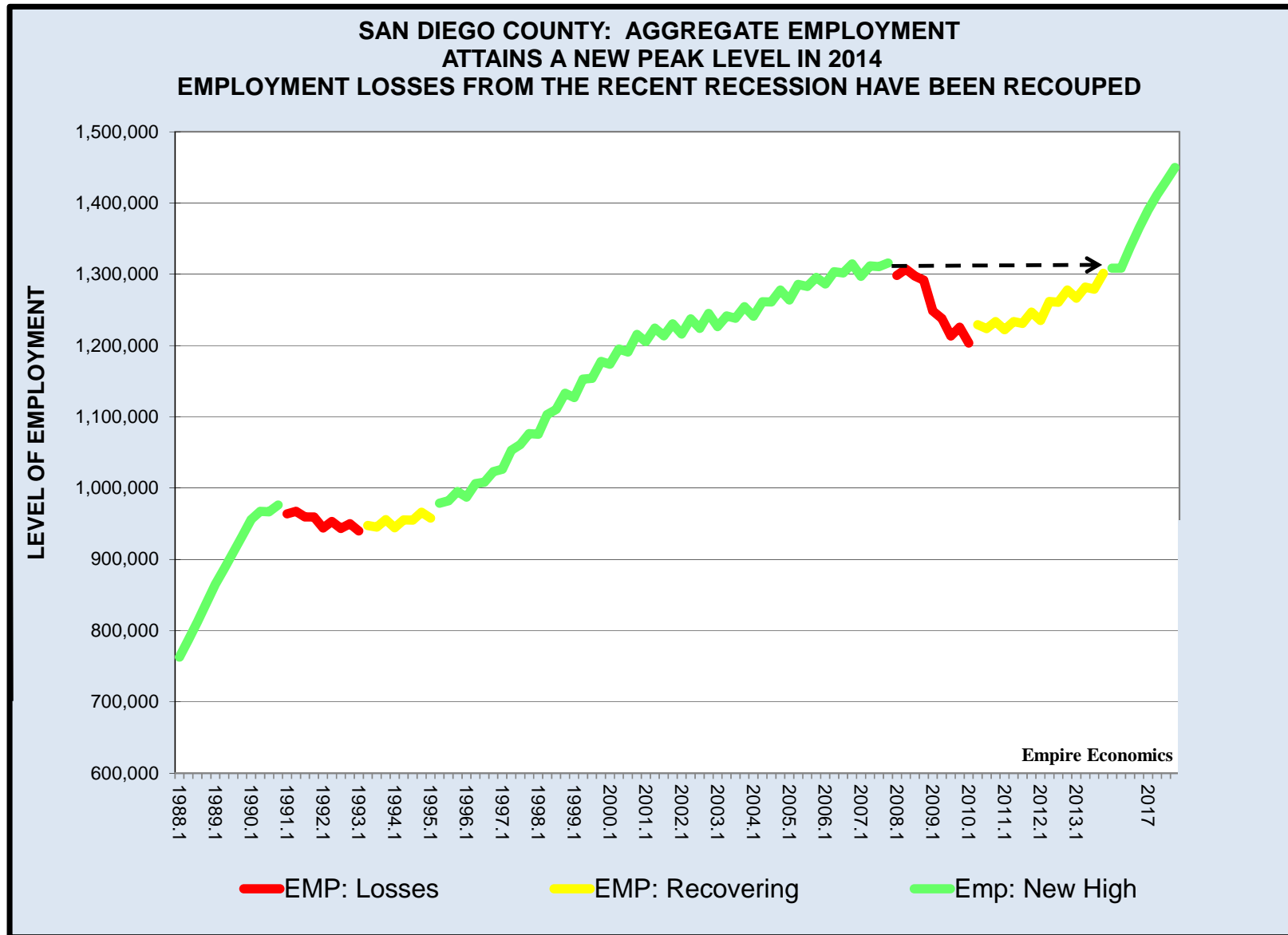


THE LEVEL OF MORTGAGE RATES, WHICH DEPEND UPON THE RATE OF INFLATION, MAY SHIFT THIS PARADIGM

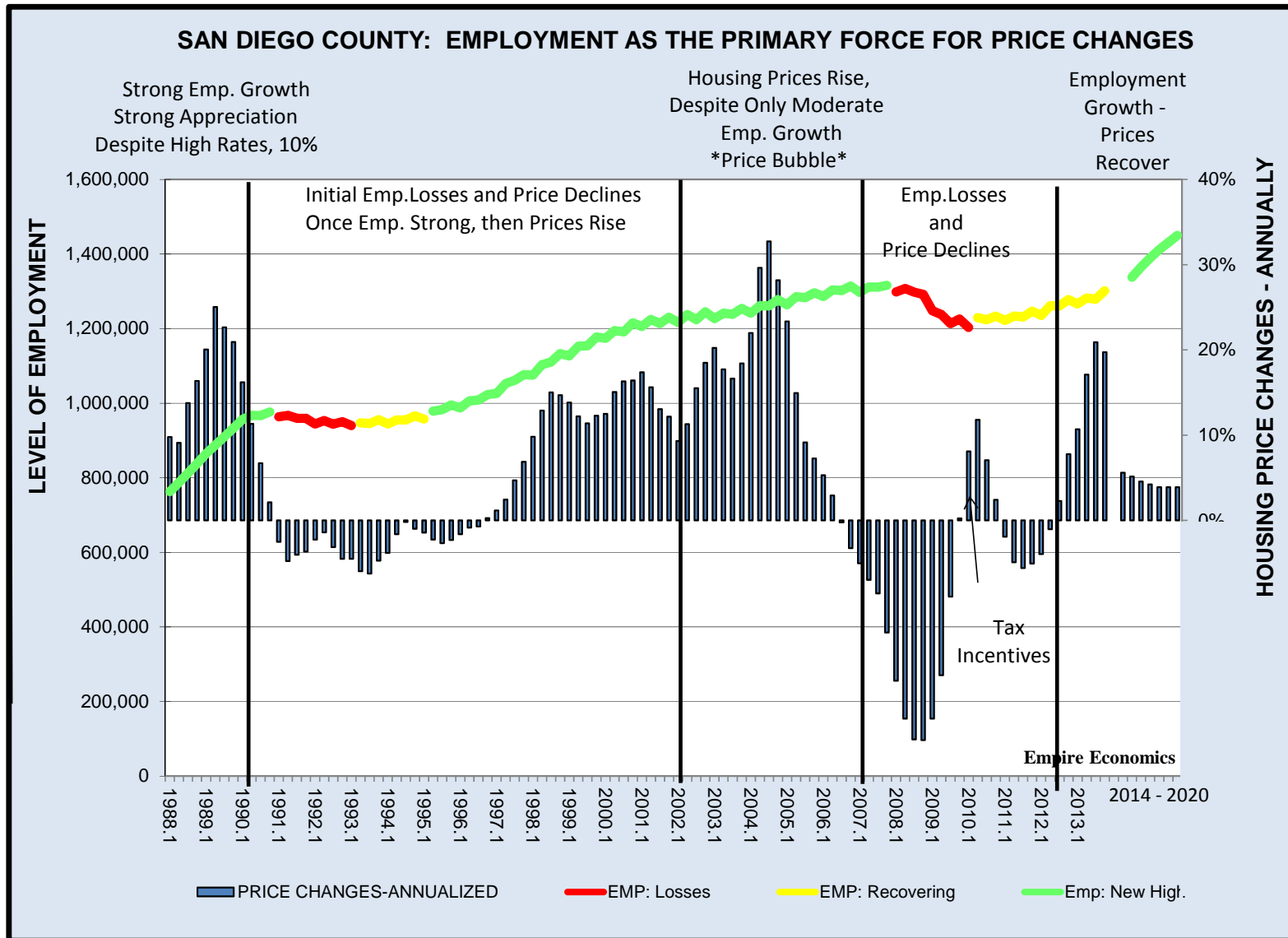


HIGHER THAN ANTICIPATED MORTGAGE RATES ELONGATE THE REAL ESTATE RECOVERY

B. CRITICAL COMPONENTS OF THE ECONOMIC AND REAL-ESTATE FORECASTING MODEL

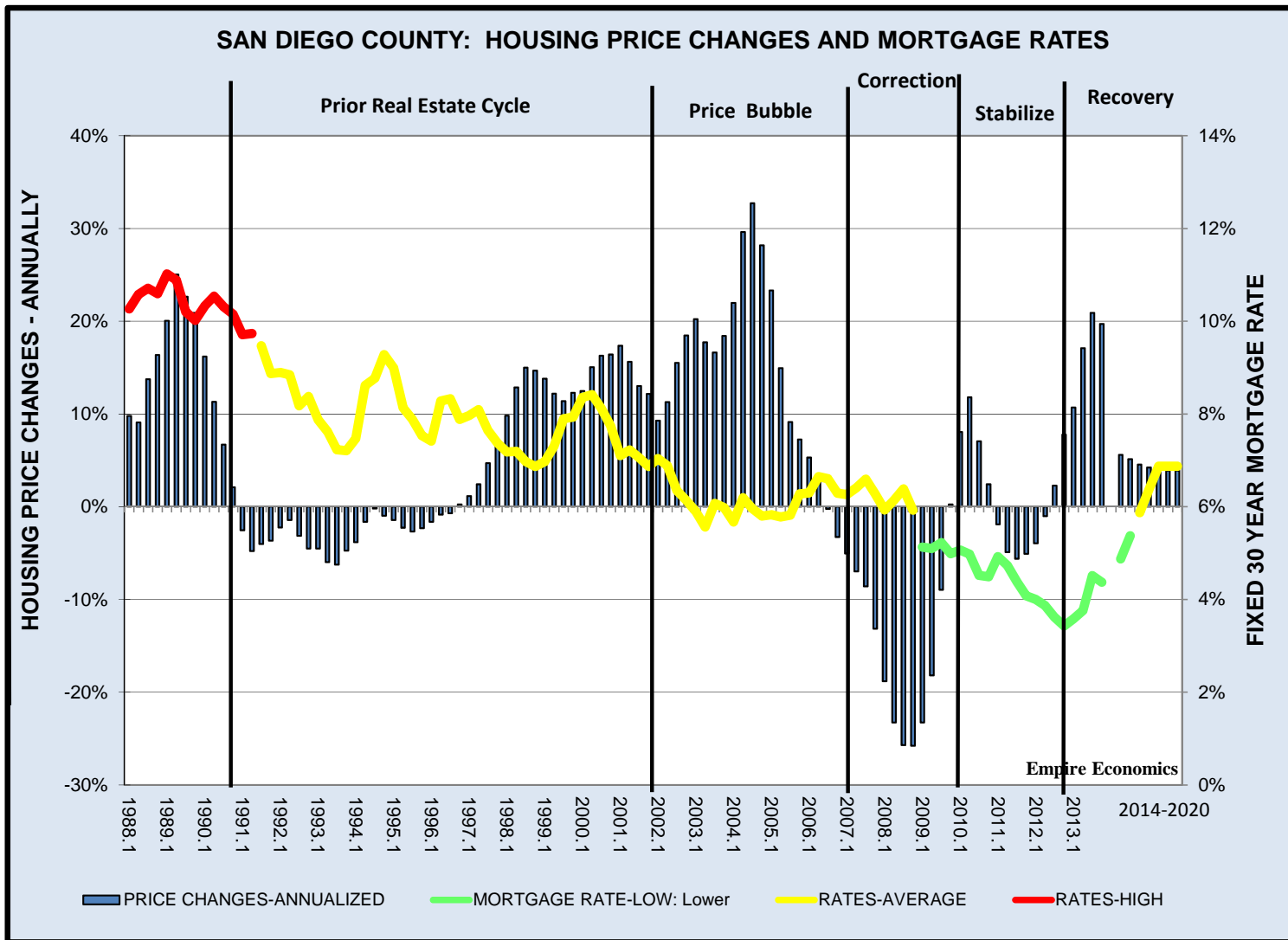


**EMPLOYMENT IS THE PRIMARY ECONOMIC DRIVER
EMPLOYMENT GROWTH/LOSSES DRIVE DEMAND AS WELL AS PRICE INCREASES/DECREASES**

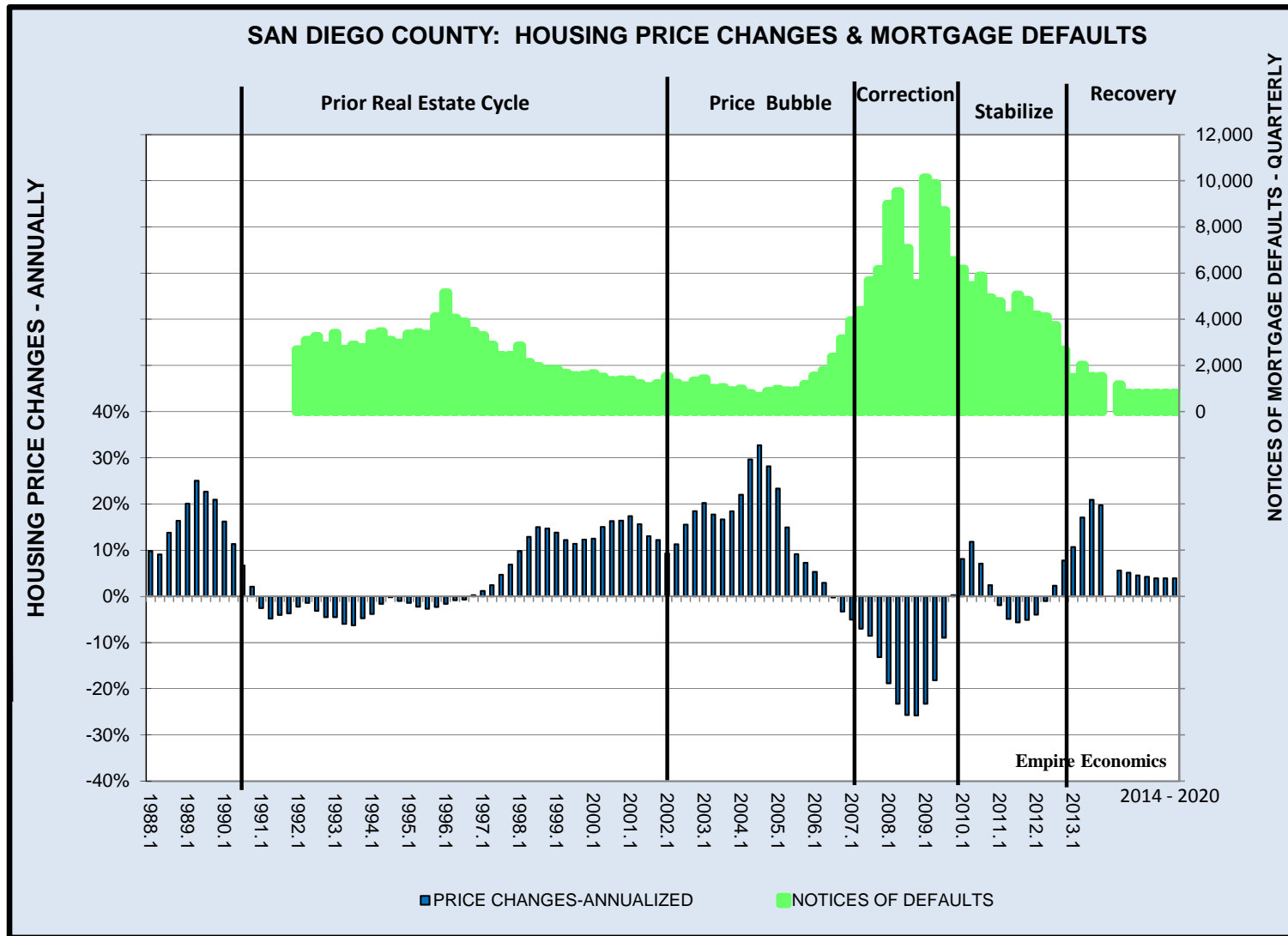


MORTGAGE RATES ARE A SECONDARY ECONOMIC DRIVER OF HOUSING PRICES:

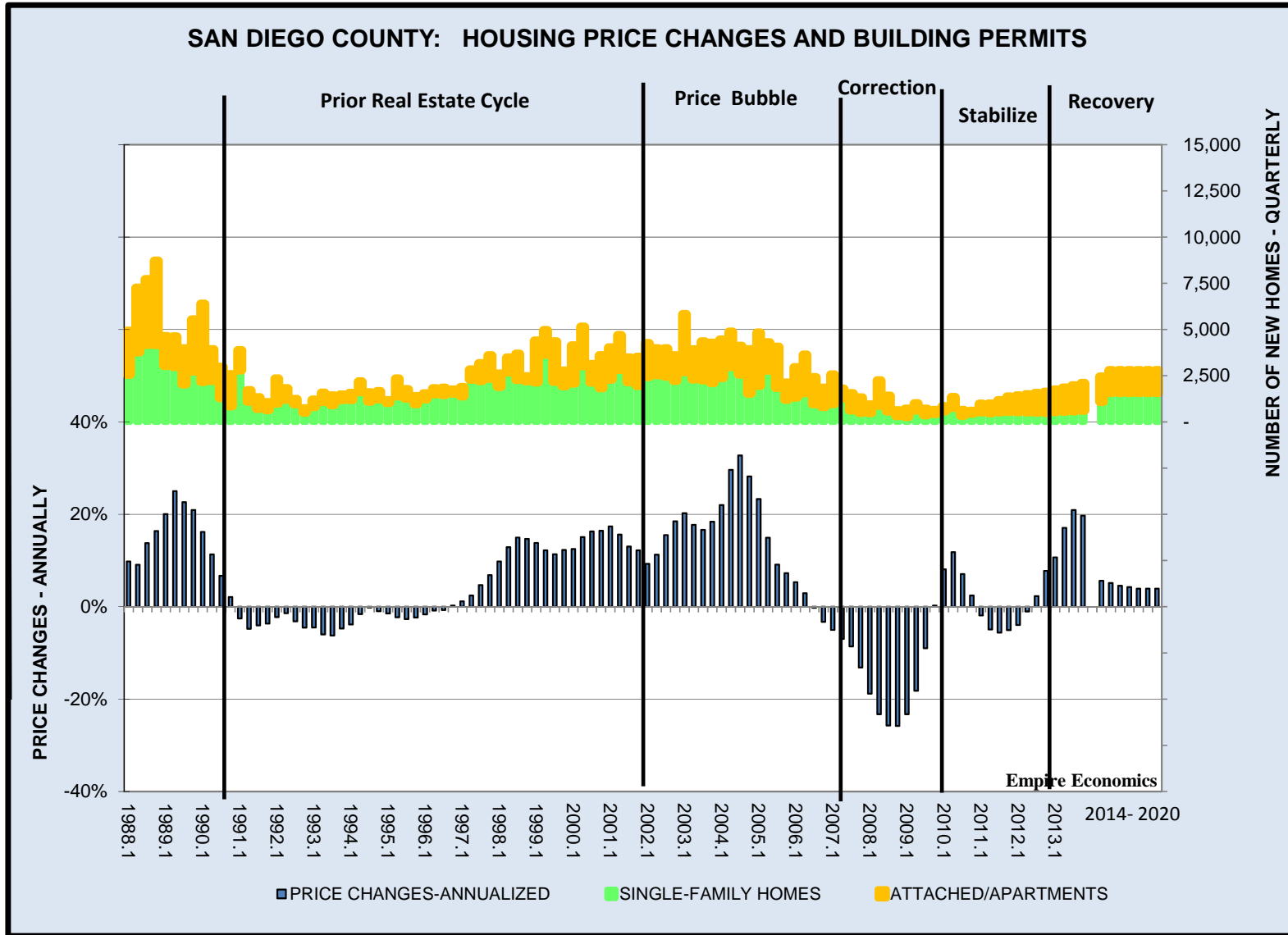
HIGH/LOW MORTGAGE RATES HAVE A MODERATE INFLUENCE ON HOUSING PRICES
 ALSO, LOOSE LENDING CRITERIA (2002-2006) VS. TIGHT LENDING CRITERIA (2010-2012)



HIGH LEVELS OF MORTGAGE DEFAULTS CAUSE PRICE DECREASES DUE TO EXCESS SUPPLY/PRICE DISCOUNTS



NEW RESIDENTIAL DEVELOPMENT ACTIVITY IS DRIVEN BY EMPLOYMENT GROWTH AND HOUSING PRICE INCREASES



C. ECONOMIC- EMPLOYMENT CONDITIONS IN THE CFD NO. 15 MARKET AREA

San Diego County, as a whole, may require several more years to fully recoup the employment losses from its recent recession. However, within San Diego County, the rates of recovery will vary substantially among local cities/areas.

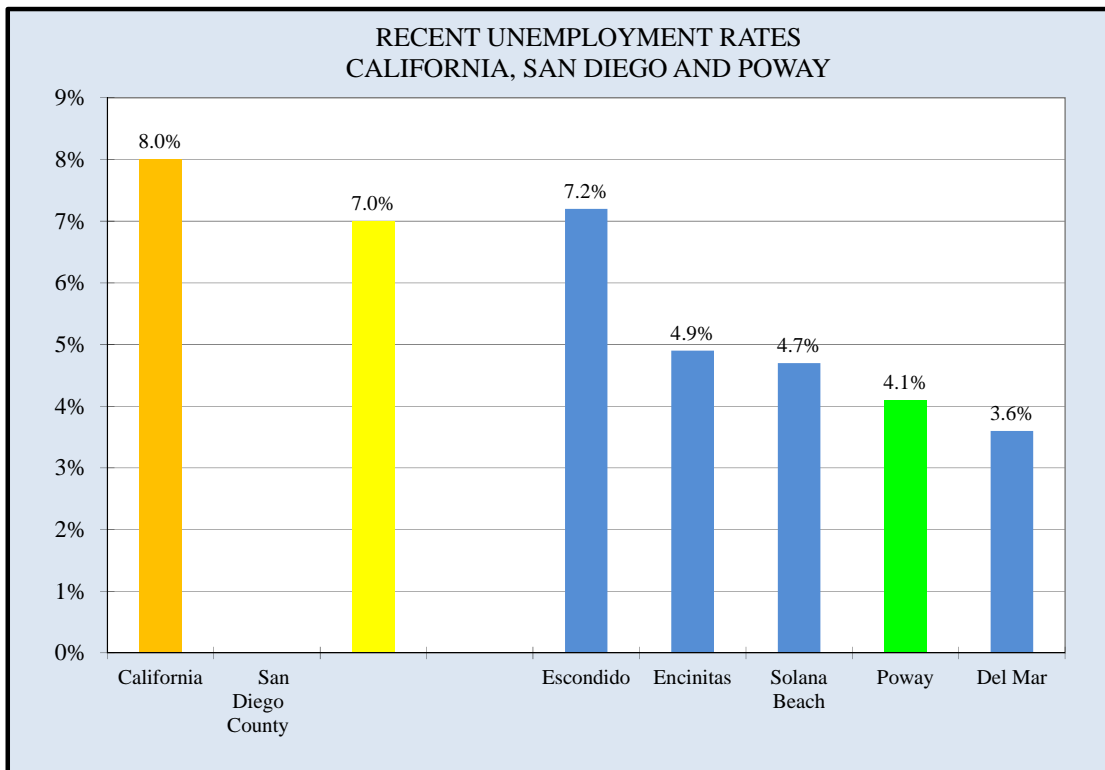
Specifically, the local areas that will lead the recovery are those that have strong economic bases which generate employment growth that bolsters the housing market, in terms of a strong demand for housing and also housing price stability/appreciation.

A generally reliable indicator of the relative performance of a local economy is its unemployment rate, the proportion of households that reside in the local area that are not employed. Specifically, local areas with relatively low unemployment rates have the following desirable attributes:

- The higher proportion of the population that is employed supports its housing market.
- A relatively high proportion of these homeowners have positive equity levels.
- The value of developable property tends to be positive which supports new development.

Based upon an analysis of recent unemployment rates, the results are as follows:

- California has an unemployment rate of 8.0%; this serves as a benchmark.
- San Diego County has an unemployment rate of 7.0%, much lower than for California.
- The City of Poway has an unemployment rate of only 4.1%, significantly below the County's.



D. CONCLUSIONS ON RECENT/FUTURE HOUSING MARKET CONDITIONS IN THE CFD NO. 15 MARKET AREA

The recent trends/patterns in the San Diego County and the CFD No. 15 Market Area, along with Empire's forecast based upon its Designated Economic and Real Estate Scenario, are now discussed.

Price Appreciation: Starting in 2002, housing prices began to appreciate as mortgage rates declined, and then the rate of appreciation accelerated during 2004 to 2006 due to the pervasive use of non-conventional (creative) financing structures. During this time period, these financing structures and related financing factors, rather than employment growth, were the primary driving forces underlying the extraordinary rate of housing price appreciation for California, and also for San Diego County.

Price Declines – Negative Equity: During 2007 to 2009, housing prices decreased significantly, pushing a substantial proportion of homeowners who purchased their homes during the price bubble into a position of negative equity, especially those that had high loan to value ratios. The enormous number of homeowners under duress caused an over-supply of homes which, in turn, severely depressed new development activity.

Foundation for Recovery: Since 2009, and continuing through 2012, housing prices were relatively stable, and this enabled the housing market to go through a consolidation phase:

- Homeowners with negative equity went through the foreclosure and short sales process.
- These homes, in turn, were purchased by new bona-fide homeowners as well as investors that benefited from lower prices. Although mortgage rates were very favorable, mortgage lending criteria were tighter for households and many investors were cash buyers.

Market Recovery During 2013: The housing market moved into a recovery phase, with the return of employment growth, and housing prices increased by some 17% for the San Diego County Market Region.

Normal Market Conditions During 2014+: Employment, the traditional driver of housing price appreciation, is expected to increase at a moderate rate, and this will enable the housing market to return to its "historical" rate of price appreciation. However, unlike other recoveries, this recovery is not expected to surpass the long-term trendline due to the following macroeconomic conditions:

- Reducing the Federal Deficit through higher tax rates, reduced deductions and lower spending.
- Federal Reserve Board re-balancing its accounts by selling recently purchased securities.

Economic Strength of the CFD Market Area: The Market Area, the City of Poway and its vicinity is regarded as being a very strong local economy in California, based upon its significant increases in employment by local firms as well as its low unemployment rate. Due to its strong economic base, the Poway area housing market will strengthen its recovery as employment gains generate a stronger demand for new homes, thereby providing support for the residential projects in CFD No. 15.

SECTION III:
MICROECONOMICS ANALYSIS:
DEVELOPMENT TRENDS/PATTERNS AND
SCHOOL/EDUCATIONAL QUALITY

The purpose of this section is to analyze the Microeconomic Factors including the employment-residential development trends/patterns in San Diego County and also the school/educational quality in the CFD No. 15 Neighborhood.

**A. DEVELOPMENT TRENDS/PATTERNS IN SAN DIEGO COUNTY AND THE
CFD MARKET AREA**

Business Parks generate employment through their industrial-office development while Planned Communities generate residential development which, in turn, creates a demand for Retail Centers; additionally, the flow of traffic between them is facilitated by the freeways and transportation corridors between them.

➤ **Primary Employment Center and Business Parks**

The currently established major employment center for San Diego County is referred to as Central County, and this includes the cities/communities to north of Interstate 8 somewhat to the north of Route 56, including CFD No. 15.

- Central County's share of the office space in San Diego County amounts to 59%.
- Central County's share of the industrial space in San Diego County amounts to 47%.

➤ **Residential Areas and Retail Centers**

The currently established residential areas in San Diego County can be gauged by their amounts of retail development, since retail centers rely on population for their support. Since population is spread throughout San Diego County, so are the retail centers.

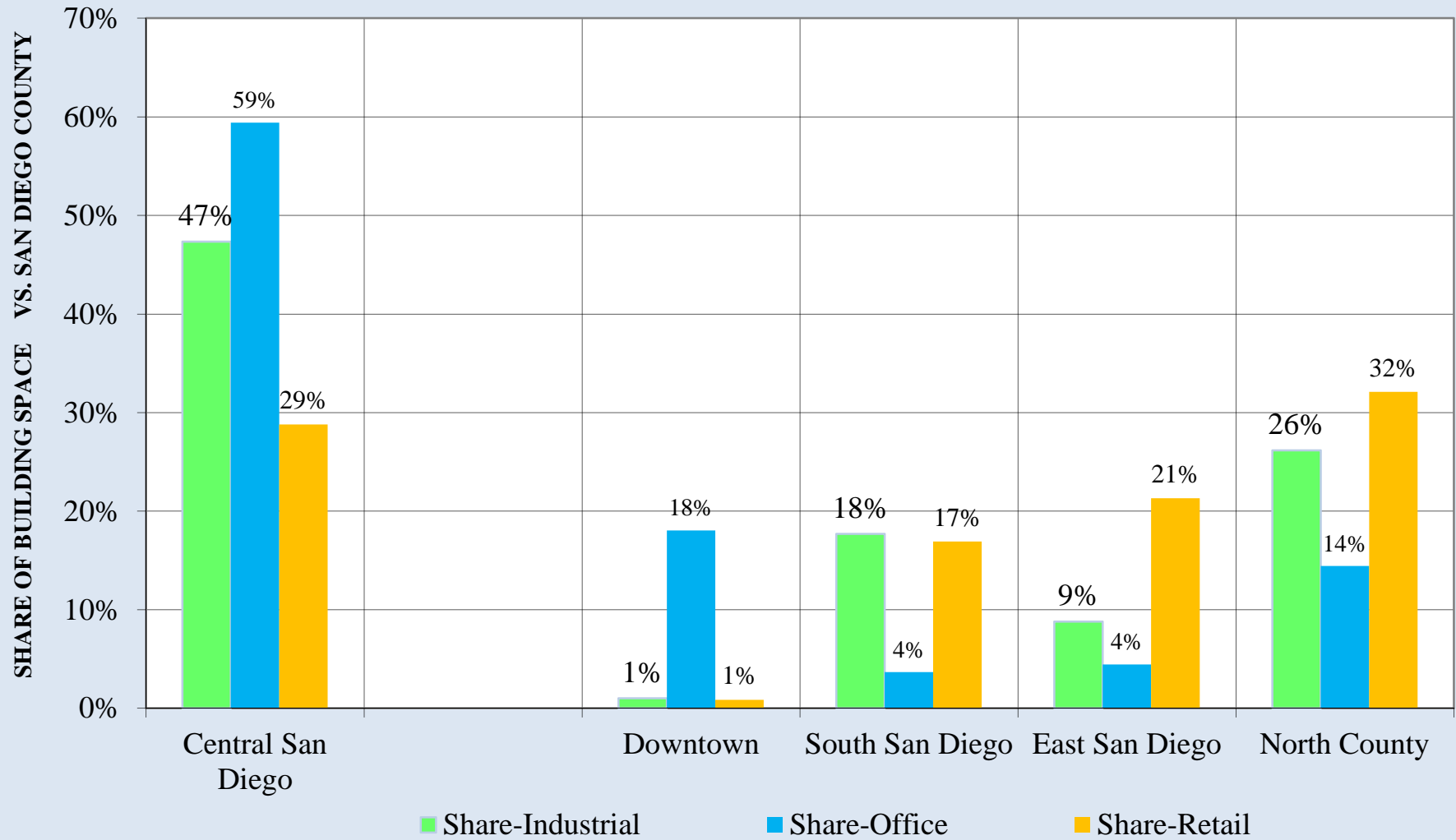
- Central County's share of the retail space in San Diego County amounts to 29%.

➤ **Commuting Patterns Between Employment Centers and Residential Areas**

Central County has a much higher share of office/industrial space as compared to retail space, implying that it is relatively stronger as an employment center than a residential area. Consequently, the Central County's strong economic base generates a significant amount of employment, and hence a strong demand for housing, but many of these employees seek housing elsewhere. The shift in housing demand to other areas can be attributed to the relatively high prices for homes in Central County, and so some of the households commute to other areas for lower priced homes.

For additional information on the regional development patterns, please refer to the following graph.

**DISTRIBUTION OF INDUSTRIAL, OFFICE AND RETAIL SPACE
BY SUB-AREAS WITHIN SAN DIEGO COUNTY
(CFD NO. 15 IS IN THE CENTRAL SAN DIEGO AREA)**



B. QUALITY OF SCHOOLS / EDUCATION IN SAN DIEGO COUNTY AND THE CFD NO. 15 NEIGHBORHOOD

When households consider the purchase of a home, the primary factors are the location (relative to their place of employment) and price (within their income/affordability levels). Furthermore, a significant secondary socioeconomic factor is the quality of the schools; accordingly, this is now discussed

To gauge the quality of schools in the Poway Unified School District and the CFD No. 15 Neighborhood Area, information was compiled on educational achievement, specifically the API scores.

For the Poway Unified School District, the overall API score, for all of the schools, amounted to 892, on the average; the levels of performance by the various school groupings are as follows:

- ✓ Elementary Schools: 25 schools with an API of 920, on the average.
 - API for the school near CFD No. 15: Del Sur Elementary 972; higher by 52 points

- ✓ Middle Schools: 6 schools with an API of 902, on the average.
 - API for the school near CFD: Oak Valley Middle 922; higher by 20 points

- ✓ High Schools: 5 schools with an API of 863, on the average.
 - API for the school near CFD: Del Norte High 881; higher by 18 points

From a socioeconomic perspective, the schools in the Poway Unified School District, in general, and the specific schools in the CFD No. 15 Neighborhood Area, in particular, have higher educational achievement levels than for schools in California, as a whole. So, the Poway Unified School District schools in the CFD No. 15 Neighborhood Area are regarded as being very desirable from a socioeconomic perspective.

SOCIOECONOMIC CHARACTERISTICS: EDUCATIONAL QUALITY RECENT API SCORES FOR POWAY UNIIFIED SCHOOL DISTRICT



SECTION IV:

COMPETITIVE MARKET ANALYSIS OF THE CURRENTLY ACTIVE RESIDENTIAL PROJECTS IN CFD NO. 15

The purpose of this section is to perform a Competitive Market Analysis of the currently active residential projects in CFD No. 15 by systematically comparing their prices, living areas and Special Tax levels to the currently active comparable projects. Furthermore, to evaluate the competitiveness of their prices, a statistical analysis of their total housing prices (base prices and Special Tax Liens) are compared to the currently active comparable projects, for various sizes of living area.

A. COMPARISON OF PRICES, LIVING AREAS AND SPECIAL TAX LEVELS

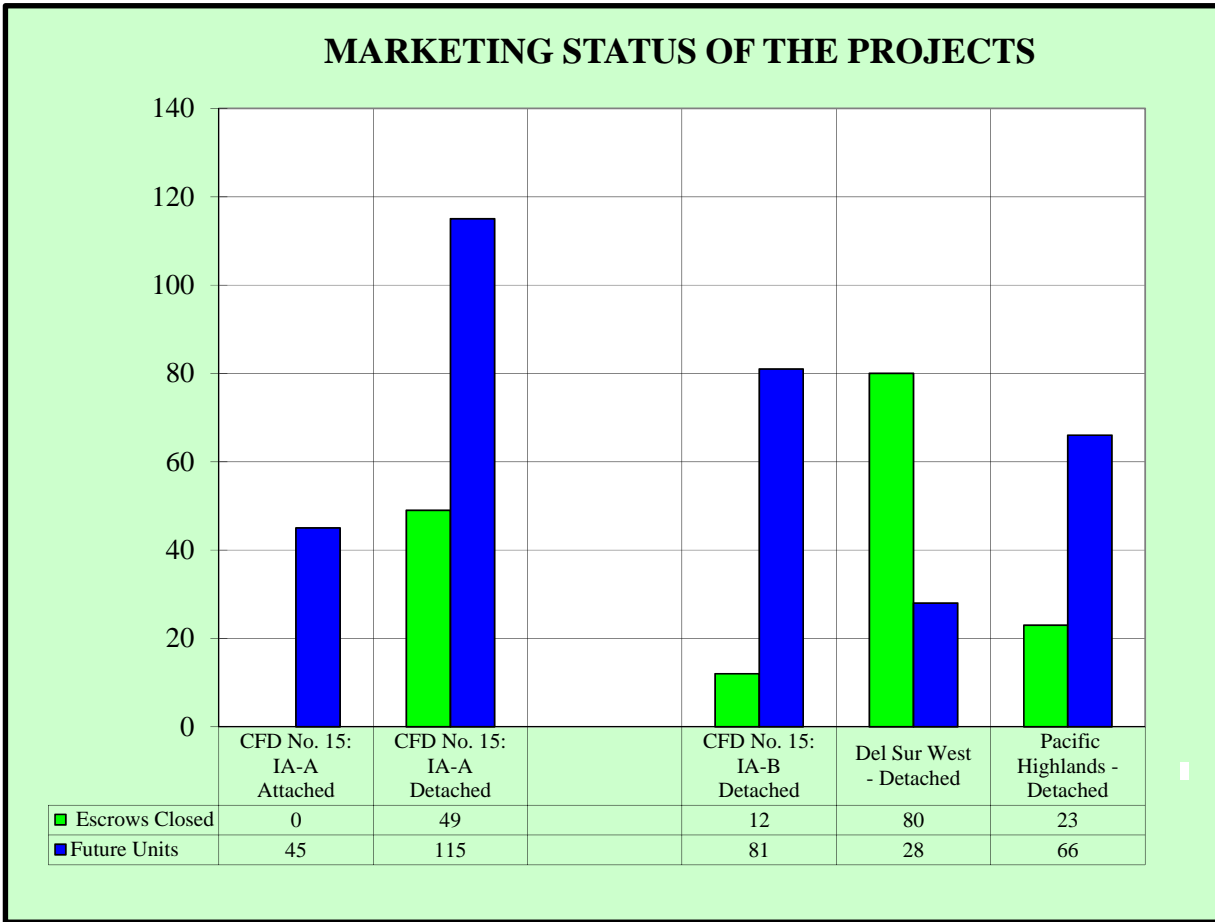
For the Competitive Market Analysis of the currently active projects in CFD No. 15, Empire selected the currently active comparable projects in the City of Poway and its vicinity, central San Diego County, based upon a consideration of the following:

- These projects are situated in major Planned Communities (PCs):
 - ✓ Del Sur West
 - ✓ Pacific Highlands Ranch
- There are a sufficient number of currently active projects to perform a statistical analysis.
- These projects have detached products; there are currently no comparables with attached products.
- These projects have a broad range of prices and living areas.



Finally, it is worthwhile to note that there are several other PCs that have recently marketed their products, and so they are no longer active on the marketplace. Most of the PCs offered high-price homes, including custom lots and semi-custom homes, oriented towards affluent purchasers. Specifically, this can be attributed to the topographical features of the Competitive Housing Market Area (CMA), home sites on hills that offer panoramic views as well as their close proximity to the County's major employment base.

A Competitive Market Analysis of the currently active projects in CFD No. 15 is now performed, by comparing their characteristics with the currently active comparable projects in the Competitive Housing Market Area. Specifically, this involves a comparative analysis of the prices, sizes of living area and Special Taxes for the currently active comparable projects in CFD No. 15. Furthermore, this analysis is performed by detached and attached product types.



There are eight currently active projects; the number of homes planned in the projects and also the number closed thus far are as follows:

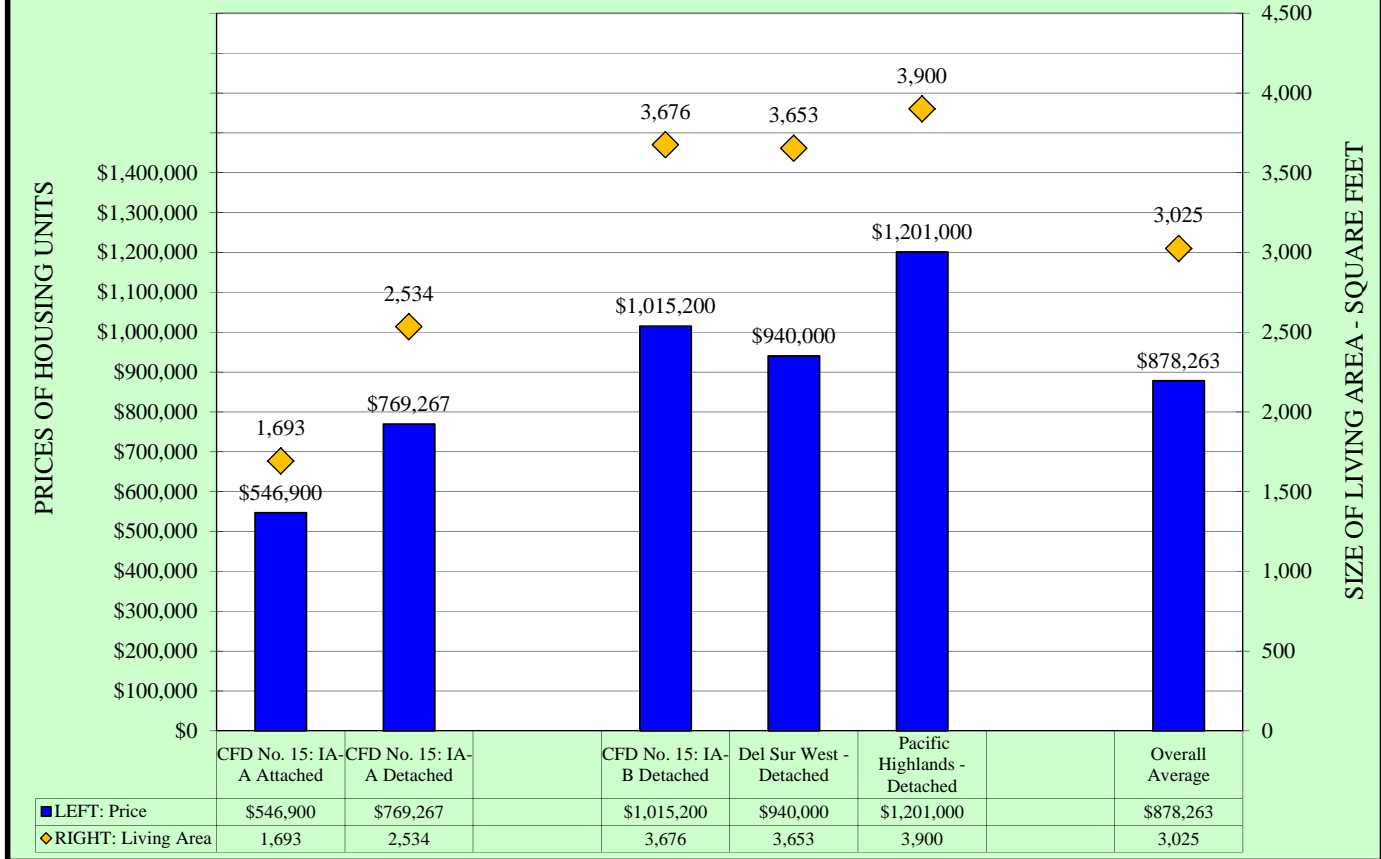
CFD No. 15 IA-A:

- **CFD No. 15 IA-A Attached:** 1 project with 45 homes for future escrow closings.
- **CFD No. 15 IA-A Detached:** 3 projects with 164 homes of which 49 have closed escrow.

Market Comparables:

- **CFD No. 15 IA-B Detached:** 2 active projects with 93 homes of which 12 have closed escrow.
- **Del Sur West Detached:** 1 active project with 108 homes of which 80 have closed escrow.
- **Pacific Highlands Detached:** 1 active project with 89 homes of which 23 have closed escrow.

PRICES AND LIVING AREAS FOR THE PROJECTS



For the comparable projects as well as the projects in CFD No. 15, their prices amount to some \$878,263, on the average, while their living areas are some 3,025 sq.ft., on the average.

CFD No. 15 IA-A:

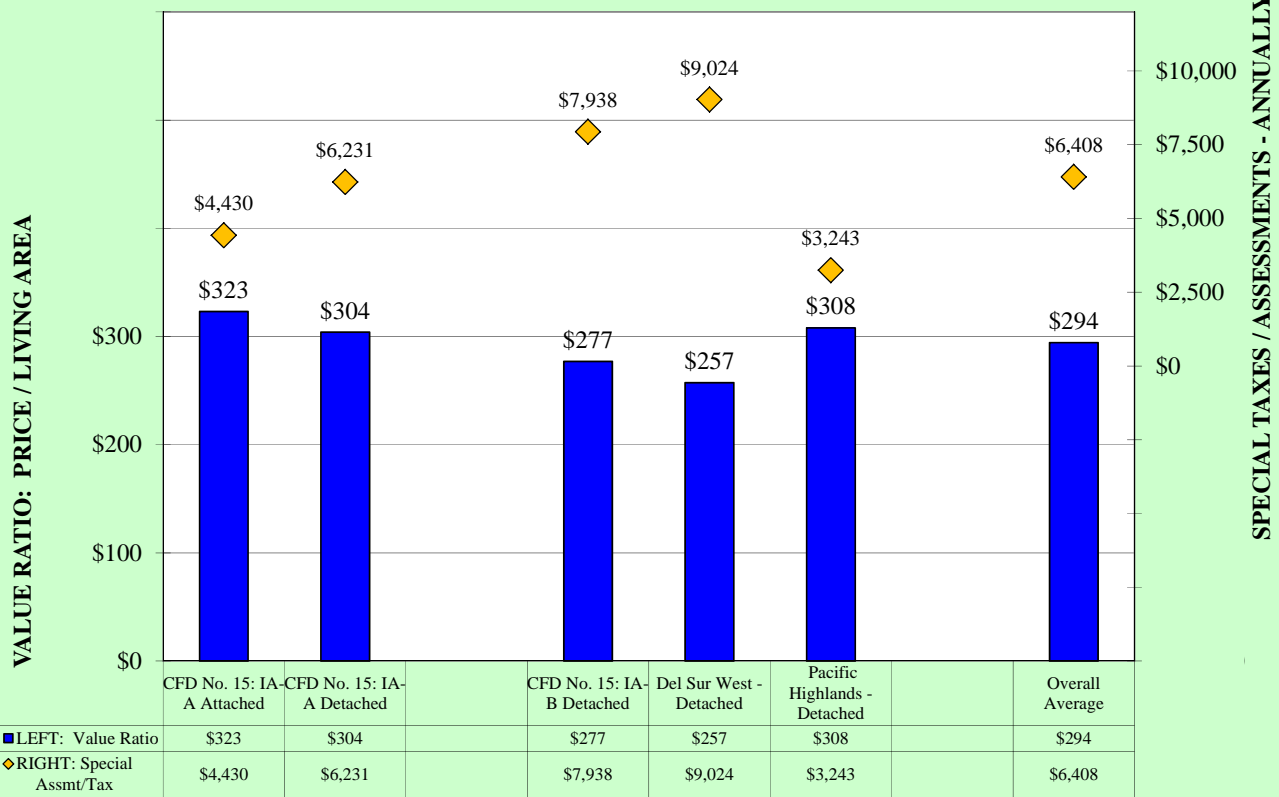
- **CFD No. 15 IA-A: Attached:** Prices of \$546,900 for some 1,693 sq.ft. of living area.
- **CFD No. 15 IA-A: Detached:** Prices of \$769,267 for some 2,534 sq.ft. of living area.

Market Comparables:

- **CFD No. 15 IA- B: Detached:** Prices of \$1,015,200 for some 3,676 sq.ft. of living area.
- **Comparables Del Sur West - Detached:** Prices of \$940,000 for some 3,653 sq.ft. of living area.
- **Comparables Pacific Highlands - Detached:** Prices of \$1,201,000 for some 3,900 sq.ft. of living area.

Additionally, most of the currently active projects are offering incentive to purchasers and these amount to \$8,750, on the average.

VALUE RATIOS AND SPECIAL TAXES FOR THE PROJECTS



To simultaneously compare the prices and living areas of the currently active comparable projects as well as the projects in CFD No. 15, their value ratios are utilized, the price per sq. ft. of living area, since this effectively makes adjustments for differences in their sizes of living areas; accordingly, the value ratios amount to \$294 per sq. ft. of living area. Additionally, their Special Taxes/Assessments amount to some \$6,408/yr. (0.76% as a ratio to the housing prices):

CFD No. 15 IA -A:

- **CFD No. 15 IA-A Attached:** Value Ratio of \$323 and Special Taxes of \$4,430/yr. (0.81%).
- **CFD No. 15 IA-A Detached:** Value Ratio of \$304 and Special Taxes of \$6,231/yr. (0.81%).

Market Comparables:

- **CFD No. 15 IA-B - Detached:** Value Ratio of \$277 and Special Taxes of \$7,938/yr. (0.79%).
- **Del Sur West-Detached:** Value Ratio of \$257 and Special Taxes of \$9,024/yr. (0.96%).
- **Pacific Highlands- Detached:** Value Ratio of \$308 and Special Taxes of \$3,243/yr. (0.27%).

B. EVALUATION OF THE PRICES FOR THE CURRENTLY ACTIVE PROJECTS IN CFD NO. 15 IA-A

This section performs a systematic analysis of the prices for the currently active/near-term residential projects in CFD No. 15 IA-A, considering their sizes of living areas and special tax levels.

Specifically, the prices of homes in a generally similar location are influenced by a multiplicity of factors, with the most significant being as follows:

Size of Living Area

Lot Size

Tax Burden (ad Valorem and Special Taxes/Assessments)

The size of living area typically has the most significant impact on the price of housing. With regards to lot size, there is generally a strong correlation between the lot size and size of the living area for the homes, since builders will typically optimize the size of a home based upon the size of a lot.

TOTAL HOUSING PRICE

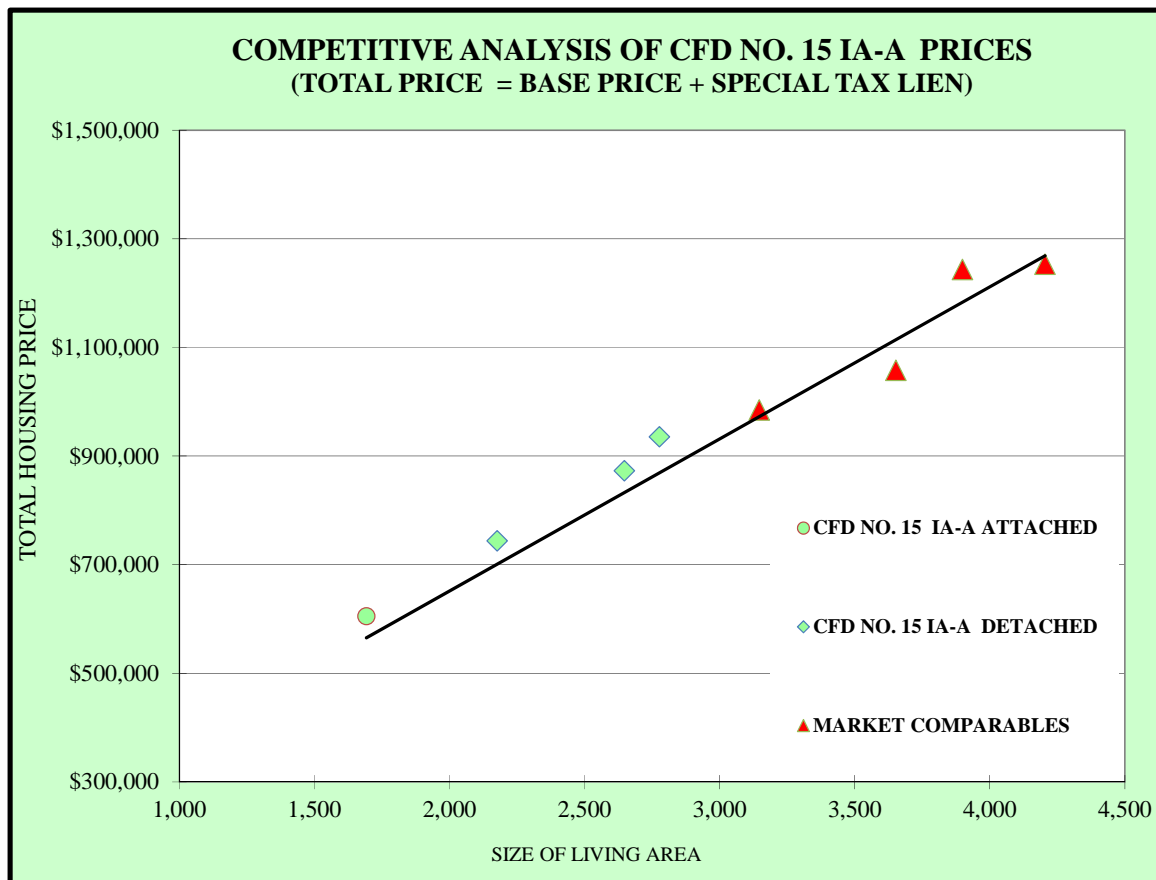
BASE PRICE OF THE HOMES

PLUS

THE PRESENT VALUE OF THE SPECIAL TAXES

(This is calculated by taking the present value of the Annual Special Taxes over a time period of 30 years using a discount factor of 6.0%.)

A comparison of the full prices (base sales prices and Special Tax liens) between the comparable projects and the CFD projects, for homes with various sizes of living areas was performed; the correlation was high (87%) meaning that the size of living area is the predominant predictor of housing prices.



The black trendline in the graph represents the best fit for the currently active comparable projects between total housing prices and size of living area.

- **CFD No. 15 IA-A:** From an overall perspective of the level of housing prices, the prices for the projects in IA-A are below those of the market comparables, because they have lower sizes of living area.
- ✓ **CFD No. 15 IA-A Attached Product:** This is represented by the “green” circle, and it is similar to the trendline for the market comparables, so this project is regarded as being competitive in the marketplace.
- ✓ **CFD No. 15 IA-A Detached Products:** These are represented by the “green ” diamonds, and these are also similar to the trendline for the market comparables, so they are also regarded as being competitive in the marketplace.

Therefore, this Competitive Market Analysis reveals that the Price Points for the currently active projects/products in CFD No. 15 IA-A, are regarded as being competitive in the marketplace.

Please refer to the following page for detailed information on the projects.

CHARACTERISTICS OF THE CURRENTLY ACTIVE PROJECTS IN CFD NO. 15 AND THE MARKET COMPARABLE PROJECTS IN THE COMPETITIVE HOUSING MARKET AREA

Project Locations	Project Name	Builder	Product Type	Project Size and Sales			Housing Prices			Incentives	Size of Living Area			Value Ratio	Special Taxes (Base Rate = 1.04%)		
				Total	Escrows Closed	Future	Sales Rate/Yr.	Lower	Average		Upper	Lower	Average		Upper	Amount/Year	Ratio/Price
CFD No. 15: IA-A Attached	Garretson	Standard Pacific	Attached	45	0	45	N/A	\$505,900	\$546,900	\$587,900	\$7,500	1,518	1,693	1,867	\$323	\$4,430	0.81%
CFD No. 15: IA-A Detached	Prado	Standard Pacific	Detached	63	0	63	N/A	\$630,000	\$672,500	\$715,000	\$0	1,905	2,177	2,448	\$309	\$5,447	0.81%
CFD No. 15: IA-A Detached	Carrillo	Standard Pacific	Detached	52	26	26	N/A	\$775,900	\$789,400	\$802,900	\$10,000	2,483	2,648	2,812	\$298	\$6,394	0.81%
CFD No. 15: IA-A Detached	Hawthorne	Standard Pacific	Detached	49	23	26	N/A	\$838,900	\$845,900	\$852,900	\$10,000	2,600	2,778	2,955	\$305	\$6,852	0.81%
CFD No. 15: IA-B Detached	Sentinels	Brookfield	Detached	39	0	39	40	\$873,000	\$890,500	\$908,000	\$5,000	2,784	3,147	3,509	\$283	\$7,213	0.81%
CFD No. 15: IA-B Detached	Marston	Standard Pacific	Detached	54	12	42	30	\$1,103,900	\$1,139,900	\$1,175,900	\$15,000	3,929	4,205	4,480	\$271	\$8,663	0.76%
Del Sur West - Detached	Presido I & II	Standard Pacific	Detached	108	80	28	28	\$920,000	\$940,000	\$960,000	\$12,500	3,558	3,653	3,748	\$257	\$9,024	0.96%
Pacific Highlands - Detached	Watermark	Pardee	Detached	89	23	66	40	\$1,162,000	\$1,201,000	\$1,240,000	\$10,000	3,636	3,900	4,163	\$308	\$3,243	0.27%
Statistical Summary																	
		Sales / Year	Projects														
CFD No. 15: IA-A Attached		N/A	1	45	0	45	N/A	\$505,900	\$546,900	\$587,900	\$7,500	1,518	1,693	1,867	\$323	\$4,430	0.81%
CFD No. 15: IA-A Detached		N/A	3	164	49	115	N/A	\$748,267	\$769,267	\$790,267	\$6,667	2,329	2,534	2,738	\$304	\$6,231	0.81%
CFD No. 15: IA-B Detached		35	2	93	12	81	70	\$988,450	\$1,015,200	\$1,041,950	\$10,000	3,357	3,676	3,995	\$277	\$7,938	0.79%
Del Sur West - Detached		28	1	108	80	28	28	\$920,000	\$940,000	\$960,000	\$12,500	3,558	3,653	3,748	\$257	\$9,024	0.96%
Pacific Highlands - Detached		40	1	89	23	66	40	\$1,162,000	\$1,201,000	\$1,240,000	\$10,000	3,636	3,900	4,163	\$308	\$3,243	0.27%
Totals/Averages		34	8	499	164	335	138	\$851,200	\$878,263	\$905,325	\$8,750	2,802	3,025	3,248	\$294	\$6,408	0.76%

SECTION V:
**ESTIMATED ABSORPTION SCHEDULES FOR THE
RESIDENTIAL PROJECTS IN CFD NO. 15**

The purpose of this section is to estimate the absorption schedules for the currently active/forthcoming residential products in CFD No. 15 (Del Sur East), based upon a consideration of the recent/expected market demand/supply conditions along with their anticipated market-entry times.

A. ESTIMATED ABSORPTION SCHEDULES

Empire Economics estimated the expected absorption schedules for the currently active/forthcoming residential products in CFD No. 15 through a comprehensive analysis of the following factors:

- The anticipated development/marketing schedule for the sixteen projects with regards to when the projects will open their model complexes, based upon information provided by Standard Pacific Homes, are as follows:
 - ✓ 2013: 3 projects; 2 of these are in IA-A
 - ✓ 2014: 7 projects; 2 of these are in IA-A
 - ✓ 2015: 3 projects
 - ✓ 2016: 1 project
 - ✓ 2017: 1 project
 - ✓ 2018+: 1 project

Empire regards the development/marketing schedule set-forth above as representing the potential “supply” of homes that Standard Pacific Homes can make available for homeowners; however, the actual sales of the homes will be driven by market demand.

- The market demand for homes in the CFD Market Area is based upon recent/expected economic and real estate factors, according to the Most Probable Economic Scenario for San Diego County as a whole as well as for the CFD No. 15 Market Area in particular.
- The competitive market analysis of the currently active comparable projects revealed that the active/forthcoming projects in CFD No. 15 are competitive in the Competitive Housing Market Area.

To estimate the absorption schedule for the 16 projects, the following algorithm, using their product types and prices as well as the supply schedule provided by Standard Pacific Homes, was utilized:

Empire’s Estimated Absorption Schedules for CFD No. 15 – Aggregate :

The 1,164 homes in CFD No. 15 started absorption in 4th-Qtr. 2013, when escrow closings to homeowners commenced, and are expected to continue through 2020, when all of the homes are built/occupied, for an overall absorption rate of approximately 177 homes per year, on the average.

- The absorption rate is strongest during 2015 to 2016, when many of the projects are on the marketplace, resulting in absorption rates of 260 and 219 homes, respectively.

- ✓ By comparison, for Del Sur West, the Planned Community located adjacent to CFD No. 15, its peak absorption rate of 197 homes occurred in 2007, while its recent absorption rates have amounted to 163 homes in 2011 and 166 homes in 2012, due to most of the projects being closed-out.
- The rate of absorption declines somewhat for 2017 and 2018 as many of the projects are closed-out but new projects are not yet ready to enter the marketplace since they require additional time for their infrastructure to be completed.
- For 2019, the absorption rate increases to 203 homes, and then the remaining 60 homes are closed out in 2020.

Empire’s Estimated Absorption Schedules for CFD No. 15 Improvement Area A: Empire estimated the expected absorption schedules for the four projects in CFD No. 15 IA-A:

- The anticipated development/marketing schedule for the projects with regards to opening their model complexes are as follows: :
 - ✓ 2013: 2 projects: Hawthorne and Carrillo
 - ✓ 2014: 2 projects: Prado and Garreston
- The absorption rate (escrows closings by homeowners) for these projects is as follows:
 - ✓ For 2013, 36 homes closed escrows in two active projects
 - ✓ For 2014, 130 homes in four active projects.
 - ✓ For 2015, the final 43 homes are closed-out.
 So, the 209 homes are expected to be absorbed by the latter portion of 2015.

B. DISCUSSION OF POTENTIAL RISK FACTORS

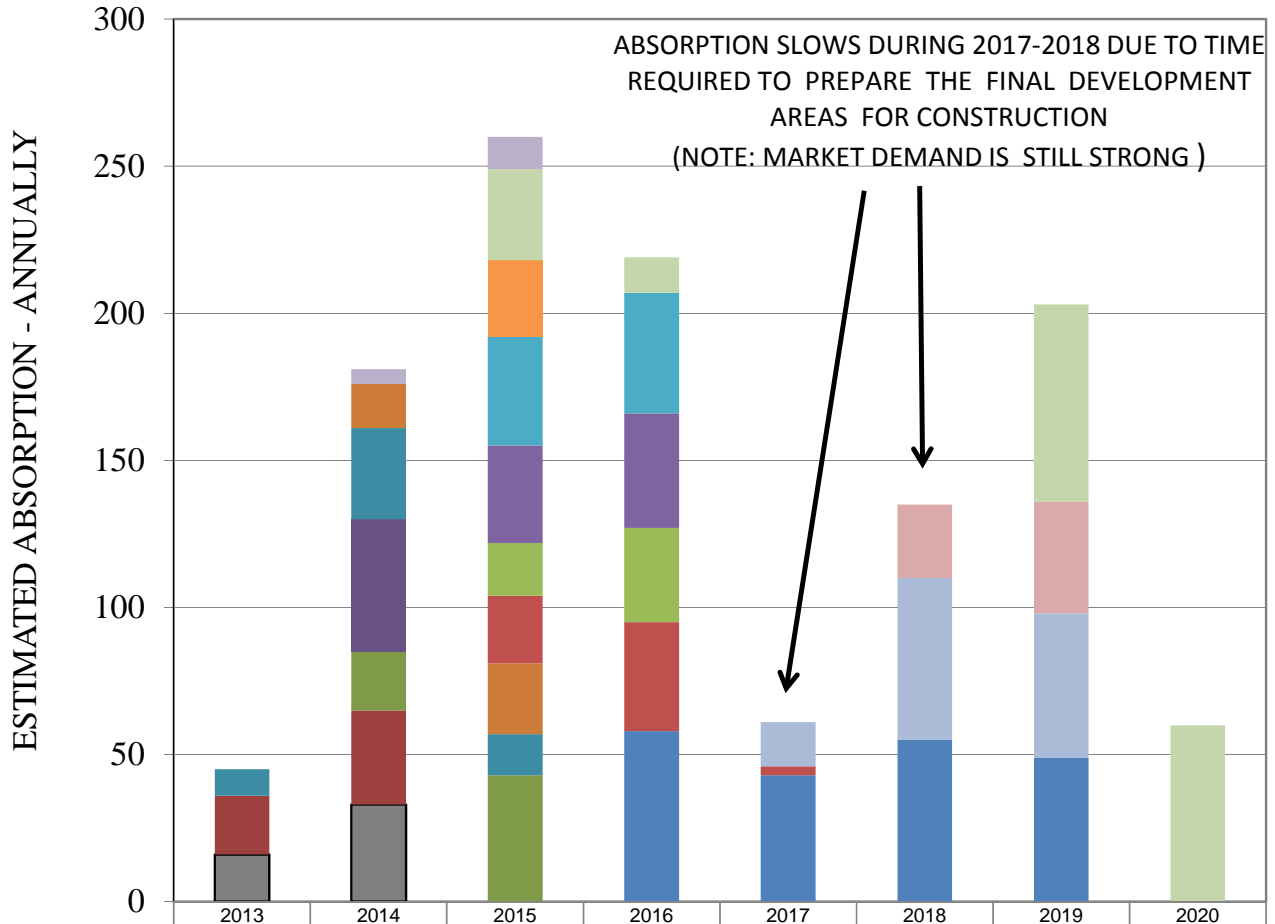
Macroeconomic: Potential adverse changes in overall economic conditions due to some unforeseen event that causes substantial reductions in employment and/or significantly higher mortgage rates.

Microeconomic: Changes in the CFD No. 15 Market Area’s housing market; however, such risk factors are regarded as being minimal since it is very well positioned in the marketplace.

Project Related: Presently, the developer, Standard Pacific Homes, is expected to be the primary builder for most of the projects in CFD No. 15.

Finally, the estimated absorption schedules are subject to the additional Assumptions and Qualifications set-forth in the next section.

POWAY USD CFD NO. 15 DEL SUR EAST ESTIMATED ABSORPTION SCHEDULES



	2013	2014	2015	2016	2017	2018	2019	2020
D: VI-D1	0	5	11	0	0	0	0	0
D: VII - Par K, L, M	0	0	31	12	0	0	67	60
D: VII - Parcel G	0	0	0	0	0	25	38	0
D: VII - Parcel F	0	0	0	0	15	55	49	0
D: VII - Parcel P	0	0	26	0	0	0	0	0
C: VI-Q	0	0	37	41	0	0	0	0
C: VI	0	0	33	39	0	0	0	0
C: VI-H	0	0	18	32	0	0	0	0
C: VI-G	0	0	23	37	3	0	0	0
B: VII - A3-2	0	0	0	58	43	55	49	0
B: V-B1	0	15	24	0	0	0	0	0
B: V-A1	9	31	14	0	0	0	0	0
A: VII - Parcel J	0	45	0	0	0	0	0	0
A: V-F1	0	20	43	0	0	0	0	0
A: V-D1	20	32	0	0	0	0	0	0
A: V-E1	16	33	0	0	0	0	0	0

CFD NO. 15 (DEL SUR EAST): PRODUCT MIX CHARACTERISTICS AND ESTIMATED ABSORPTION SCHEDULES

Subject to Revision

	A	A	A	A	B	B	B	C	C	C	C	D	D	D	D	D	Totals	Averages
Improvement Areas	A	A	A	A	B	B	B	C	C	C	C	D	D	D	D	D		
Planning Areas	V-E1	V-D1	V-F1	VII - Parcel J	V-A1	V-B1	VII - A3-2	VI-G	VI-H	VI	VI-Q	VII - Parcel P	VII - Parcel F	VII - Parcel G	VII - Par K, L, M	VI-D1		
Phases	5	5	5	7	5	5	5	6	6	6	6	7	7	7	7	6		
Product Name/Description	Hawthorne	Carrillo	Prado	Garretson	Marston	Sentinels	Adult	Avondale	Kingston	Stratford	Preston	Garretson II		Town	Town	Carrillo II		
Lot Size	50 X 80	42 X 92	Motor Court	Row Home	7200's	6000's		6000's	7500's	55 X 70's	5000's	Row Home		Center	Center	42 X 92		
Builders	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Brookfield	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific	Standard Pacific		
Housing Units																		
Totals	49	52	63	45	54	39	205	63	50	72	78	26	119	63	170	16	1,164	
Share	4.2%	4.5%	5.4%	3.9%	4.6%	3.4%	17.6%	5.4%	4.3%	6.2%	6.7%	2.2%	10.2%	5.4%	14.6%	1.4%	100.0%	
Marketing Status:																		
Models Open: Qtr/Yr	3rd Qtr / 2013	2nd Qtr / 2013	2nd Qtr / 2014	2nd Qtr / 2014	3rd Qtr / 2013	1st Qtr / 2014	1st Qtr / 2016	1st Qtr / 2015	1st Qtr / 2015	4th Qtr / 2014	4th Qtr / 2014	4th Qtr / 2014	2nd Qtr / 2017	2nd Qtr / 2018	1st Qtr / 2015	1st Qtr / 2014		
Start Move Ins: Qtr/Yr	4th Qtr / 2013	4th Qtr / 2013	3rd Qtr / 2014	3rd Qtr / 2014	4th Qtr / 2013	3rd Qtr / 2014	2nd Qtr / 2016	2nd Qtr / 2015	2nd Qtr / 2015	2nd Qtr / 2015	2nd Qtr / 2015	2nd Qtr / 2015	3rd Qtr / 2017	3rd Qtr / 2018	3rd Qtr / 2015	3rd Qtr / 2014		
Marketing Status:																		
Occupied: April 2014	23	26	0	0	12	0	0	0	0	0	0	0	0	0	0	0	61	
Future Occupancies: April 2014+	26	26	63	45	42	39	205	63	50	72	78	26	119	63	170	16	1,103	
Number of Homes																		
Plan # 1	16	17	21	15	18	13	69	21	17	24	26	8	40	21	57	5		
Plan # 2	17	18	21	15	18	13	68	21	17	24	26	9	40	21	57	6		
Plan # 3	16	17	21	15	18	13	68	21	16	24	26	9	39	21	56	5		
Plan # 4																		
Plan # 5																		
Plan # 6																		
Totals	49	52	63	45	54	39	205	63	50	72	78	26	119	63	170	16	1,164	
Living Areas																		
Plan # 1	2,600	2,483	1,905	1,518	3,929	2,784	1,692	3,915	4,600	2,500	2,917	1,518	1,500	1,500	1,500	2,483		
Plan # 2	2,701	2,771	2,191	1,641	4,152	3,219	1,787	4,473	4,717	2,669	3,092	1,628	1,500	1,500	1,500	2,771		
Plan # 3	2,955	2,812	2,448	1,867	4,480	3,509	2,597	4,583	5,011	2,992	3,322	1,867	1,500	1,500	1,500	2,812		
Plan # 4																		
Plan # 5																		
Plan # 6																		
Averages	2,751	2,690	2,181	1,675	4,187	3,171	2,024	4,324	4,771	2,720	3,110	1,677	1,500	1,500	1,500	2,694	2,419	
Estimated Prices: Standard Pacific																		
			- Estimated -				- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -	- Estimated -		
Plan # 1	\$838,900	\$775,900	\$630,000	\$505,900	\$1,122,900	\$873,000	\$597,000	\$1,025,000	\$1,100,000	\$798,000	\$861,000	\$491,000	\$450,000	\$450,000	\$450,000	\$775,900		
Plan # 2	\$819,900	\$799,900	\$675,000	\$529,900	\$1,103,900	\$897,000	\$670,000	\$1,045,000	\$1,150,000	\$813,000	\$891,000	\$514,000	\$450,000	\$450,000	\$450,000	\$799,900		
Plan # 3	\$852,900	\$802,900	\$715,000	\$587,900	\$1,175,900	\$908,000	\$805,000	\$1,065,000	\$1,200,000	\$843,000	\$921,000	\$567,000	\$450,000	\$450,000	\$450,000	\$802,900		
Plan # 4																		
Plan # 5																		
Plan # 6																		
Averages	\$836,880	\$793,035	\$673,333	\$541,233	\$1,134,233	\$892,667	\$690,210	\$1,045,000	\$1,149,000	\$818,000	\$891,000	\$525,269	\$450,000	\$450,000	\$450,000	\$793,338	\$707,049	
Value Ratios	\$304	\$295	\$309	\$323	\$271	\$282	\$341	\$242	\$241	\$301	\$286	\$313	\$300	\$300	\$300	\$295	\$292	
Planning Areas & Projects	A: V-E1	A: V-D1	A: V-F1	A: VII - Parcel J	B: V-A1	B: V-B1	B: VII - A3-2	C: VI-G	C: VI-H	C: VI	C: VI-Q	D: VII - Parcel P	D: VII - Parcel F	D: VII - Parcel G	K, L, M	D: VI-D1	Annually	Cumulative
Estimated Absorption Schedules																		
2013	16	20	0	0	9	0	0	0	0	0	0	0	0	0	0	0	45	45
2014	33	32	20	45	31	15	0	0	0	0	0	0	0	0	0	5	181	226
2015	0	0	43	0	14	24	0	23	18	33	37	26	0	0	31	11	260	486
2016	0	0	0	0	0	0	58	37	32	39	41	0	0	0	12	0	219	705
2017	0	0	0	0	0	0	43	3	0	0	0	15	0	0	0	0	61	766
2018	0	0	0	0	0	0	55	0	0	0	0	55	25	0	0	0	135	901
2019	0	0	0	0	0	0	49	0	0	0	0	49	38	0	0	0	203	1,104
2020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	60	0	60	1,164
Totals	49	52	63	45	54	39	205	63	50	72	78	26	119	63	170	16	1,164	

SECTION VI: ASSUMPTIONS AND LIMITING CONDITIONS

The Price Point and Market Absorption Study is based upon various assumptions and limiting conditions; accordingly, these are as follows:

Property Boundaries

No survey or engineering analysis of CFD No. 15 property has been made by the market analyst; the District Engineer's report utilized for the Bond is deemed to be reliable. The market analyst assumes the existing boundaries to be correct, that no encroachments exist and assumes no responsibility for any condition not readily observable from customary investigation and inspection of the premises, which might affect the valuation, excepting those items which were specifically mentioned in the report.

Maps and Exhibits

Maps and exhibits included in this report are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys, or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report.

Title to Property

No opinion as to title is rendered. Data related to ownership and legal description, obtained from governmental records related to the formation of the District that forms the basis for identifying the boundaries of CFD No. 15 are considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically discussed in the report. The property is evaluated assuming to be under responsible ownership and competent management and available for development to highest and best use.

Earthquakes and Seismic Hazards

The property which is the subject of this market analysis is within a geographic area prone to earthquakes and seismic disturbances. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the market analyst concerning the geologic and/or seismic condition of the subject property. The market analyst assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

Soil and Geological Studies

No detailed soil studies or geological studies or reports were made available to the market analyst. Assumptions employed in this report regarding soils and geologic qualities of the subject property have been provided to the client. However, such assumptions are not conclusive and the market analyst assumes no responsibility for soils or geologic conditions discovered to be different from the conditions assumed unless otherwise stated in this report.

Hidden or Unapparent Conditions

The market analyst assumes no responsibility for hidden or unapparent conditions of the property, subsoil, groundwater or structures that render the subject property more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Presence and Impact of Hazardous Material

Unless otherwise stated in the report, the market analyst did not become aware of the presence of any hazardous material or substance during the market analyst's general inspection of the subject property. However, the market analyst is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the evaluation of the subject property. The market analyst assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material.

Structural Deficiencies of Improvements

The market analyst has not performed a thorough inspection of the subject property, and except as noted in this report has not found obvious evidence of structural deficiencies in any improvements located on the subject property. Consequently, the market analyst assumes no responsibility for hidden defects or nonconformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professions or governmental agencies were provided to the market analyst. Further, the market analyst is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the market analyst at the time of their inspection.

Presence of Asbestos

The market analyst is not aware of the existence of asbestos in any existing improvements on the subject property. However, the market analyst is not trained to discover the presence of asbestos and assumes no responsibility should asbestos be found in or at the subject property. For the purposes of this report, the market analyst assumes the subject property is free of asbestos and the subject property meets all federal, state and local laws regarding asbestos abatement.

Environmental and Other Regulations

The property is evaluated assuming it to be in full compliance with all applicable federal, state and local environmental regulations and laws, unless otherwise stated, and that there are no lawsuits that may adversely impact the rate of development.

Required Permits and Other Governmental Authority

Unless otherwise stated, the property evaluated is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization that have been or can be obtained or renewed for any use on which the evaluation analysis contained in this report is based upon.

Designated Economic Scenario

The Market Absorption Study focuses upon the expected absorption schedule for the products in CFD No. 15 according to the designated economic scenario. Specifically, this scenario represents the economic and real estate conditions for the Market Region and also the Market Area during the foreseeable future according to the most probable conditions, and this is regarded as being appropriate for the Bond Financing. However, the economic and market conditions which actually materialize on a year by year basis may differ from those presented according to the designated economic scenario, as a result of exogenous factors which are difficult to forecast/quantify. Accordingly, the designated scenario should be utilized as an economic framework for evaluating the marketing prospects of the properties within CFD No. 15 rather than a "literal" representation of what is expected to occur on a year/year basis during the foreseeable future.

Provision of the Infrastructure

The Market Absorption Study assumes that the governmental agencies that supply public facilities and services, including water, provide these in a timely manner so that the proposed products/projects in CFD No. 15 can respond to the expected market demand for their products. Otherwise, if the required infrastructure is not available in a timely manner, then the absorption of the products/projects could be adversely impacted.

Developer/Builders Responsiveness to Market Conditions

The Market Absorption Study assumes that the developer/builders in CFD No. 15 respond to the market conditions with products that are competitively priced and have the features/amenities that are desired by the purchasers. Specifically, most of the homes in CFD No. 15 have not yet entered the marketplace, and so the specific characteristics of their product types cannot be identified until they actually offer products on the marketplace. Consequently, to the extent that future products/projects have prices/features that differ from the competitive market standards, then their absorption schedule would need to be modified from those presented according to the designated economic scenario.

Financial Strength of the Projects' Developer/Builders

The Market Absorption Study assumes that the developer/builders in CFD No. 15 (and also their lenders) have sufficient financial strength to adequately fund their projects, including paying their Special Taxes/Assessments, and that they have sufficient financial reserves which could be utilized to supplement their cash flow positions, in the event that adverse economic or market conditions occur.

Accuracy of Information from Others

In preparing this report, the market analyst was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed or implied, is given by the market analyst for the accuracy of such information and the market analyst assumes no responsibility for information relied upon and later found to have been inaccurate. The market analyst reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Liability of Market Analyst

The liability of Empire Economics, the market analyst responsible for this report, is limited to the client only and to the fee actually received by the market analyst. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussion. The market analyst is in no way to be responsible for any costs incurred to discover or correct any deficiencies or any type present in the property--physical, financial, and/or legal.

Testimony or Court Attendance

Testimony or attendance in court or at any other hearing is not required by reason of rendering this market analysis, unless such arrangements are made a reasonable time in advance of said hearing. Separate arrangements would need to be made concerning compensation for the market analyst's time to prepare for and attend any such hearing.

Right of Publication of Report

Possession of this report, or a copy of it, does not carry with it the right of publication except for the party to whom it is addressed. Without the written consent of the market analyst, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose.

Timeliness of the Market Absorption Study

The Market Absorption Study performs a comprehensive analysis of the relevant land-use, economic and residential market conditions that are expected to influence the marketing success of the products/projects in CFD No. 15.

Nevertheless, the Study should be dated within six-months of the Bond Sale, or even sooner, should these land-use and/or economic market as well as real estate conditions change significantly.

APPENDIX A
CREDENTIALS/QUALIFICATIONS OF EMPIRE ECONOMICS
RESUME: JOSEPH T. JANCZYK, Ph.D.

Education: University of California, Riverside, Ph.D. in Economics, Completed in 1976
Specializations in Urban Economics, Mathematical Modeling and Econometric Analysis
State University of New York at Buffalo, Bachelors, Completed in 1970
Dual Majors: Economics and Psychology

Prior Employment: California State University, Tenured Economics Professor: 1976-1985
Courses Taught: Microeconomics, Macroeconomics, Urban Economics,
Computer Modeling, Econometrics, among others

Empire Economics: Chairman and President: 1986-Present

- Perform Independent Real Estate Consulting Services Primarily for Land Secured Financings
- Work for Public Entities including Counties, Cities, School Districts and Water Districts
- Long-term Relationships with Many Clients, Including Orange and Riverside Counties, 25+ years
- Well Established Relationships with Numerous Professionals in the Municipal Finance Industry

- Performed 450+ Studies on behalf of Public Entities for \$14B+ in municipal financing
 - Land Secured Financings for Planned Communities, Business Parks and Retail Centers for 350+ CFDs/ADs for \$7.5B bonds
 - Price Point Studies – Establish Special Taxes that conform to public entities' policies
 - Market Absorption Studies Provide timelines for phasing infrastructure
 - Homeowner Equity Studies: Current Equity levels for homeowners
 - Economic Forecasting Studies: Forecast Employment and Housing Demand

- Socioeconomic Studies Orange County Transportation Corridors: 2 studies \$2.75B bonds
 - Designated as Municipal Bond Issue of the Year for 1999
 - Rating Agency and Bond Insurer Presentations – Trips to New York City

- Mortgage Revenue Bond Issues: Lower Mortgage Rates 50+ studies for \$1.7B bonds
- Other Municipal Bond Issues: 35+ studies \$2B+ bonds; Certificates of Participation, others
- Forthcoming Bond Issues: 30+ studies for \$500M+ future bond sales

Industry Contributions – Regular Speaker/Panelist at Following Events:

- UCLA Municipal Bond Financing Seminars (10+ times, as Featured Speaker)
- Bond Buyer Conference
- League of Cities
- Municipal Bond Industry Association
- Best Practices for Continuing Disclosure
- Appraisal Standards for Land Secured Financing by CDIAC
- Meetings with Municipal Bond Funds

Dedicated to Public Sector: Certifications Provided in each Study:

- Empire has not performed any consulting services for CFD/AD property owners nor developers/builders, during at least the past twenty years.
- Empire will not perform any consulting services for CFD/AD property owners nor developers/builders, during at least the next five years.

CERTIFICATION OF INDEPENDENCE

EMPIRE ECONOMICS PROVIDES CONSULTING SERVICES ONLY FOR PUBLIC ENTITIES

The Securities & Exchange Commission has taken action against firms that have utilized their research analysts to promote companies with whom they conduct business, citing this as a potential conflict of interest. Accordingly, Empire Economics (Empire), in order to ensure that its clients, including the Poway Unified School District, are not placed in a situation that could cause such conflicts of interest, provides a Certification of Independence. **This Certificate states that Empire performs consulting services only for public entities such as the Poway Unified School District, in order to avoid potential conflicts of interest that could occur if it also provided consulting services for developers/builders.** For example, if a research firm for a specific Community Facilities District or Assessment District were to provide consulting services to both the public entity as well as the property owner/developer/builder, then a potential conflict of interest could be created, given the different objectives of the public entity versus the property owner/developer.

Accordingly, Empire Economics certifies that the Price Point and Market Absorption Study for the CFD No. 15 (Del Sur East) of the Poway Unified School District was performed in an independent professional manner, as represented by the following statements:

- Empire was retained to perform the Price Point and Market Absorption Study by the Poway Unified School District, not the District's developer, Standard Pacific Homes.
- Empire has not performed any consulting services for the District's property owner or the developer/builders during the past twenty+ years.
- Empire will not perform any consulting services for the District's property owner or the developer/builders during at least the next five years.
- Empire's compensation for performing the Price Point and Market Absorption Study for the District is not contingent upon the issuance of Bonds; Empire's fees are paid on a non-contingency basis.

Therefore, based upon the statements set-forth above, Empire hereby certifies that the Price Point and Market Absorption Study for CFD No. 15 (Del Sur East) of the Poway Unified School District was performed in an independent professional manner.

Empire Economics, Inc.
Joseph T. Janczyk, President

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following summary discussion of selected provisions of the Indenture is made subject to all of the provisions of such document. This summary discussion does not purport to be a complete statement of such provisions and prospective purchasers of the Bonds are referred to the complete text of the Indenture, a copy of which is available upon request sent to the Fiscal Agent.

Definitions

“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.

“Actual Cost” or “Actual Costs” shall have the meaning given to such term in the Second Supplement to Mitigation Agreement.

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

“Administrative Expense Requirement” means an annual amount equal to \$19,507.50 for the Bond Year ending September 1, 2015 and escalating at 2% each Bond Year thereafter beginning with the Bond Year commencing September 2, 2015.

“Administrative Expenses” means the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Improvement Area A Special Taxes and preparing the annual Improvement Area A Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Improvement Area A Special Taxes (whether by the County, the School District or otherwise); the costs of remitting the Improvement Area A 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 the arbitrage rebate requirements; the costs of the School District, the District, or any designee thereof of complying with School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the Act; the costs associated with preparing Improvement Area A Special Tax disclosure statements and responding to public inquiries regarding the Improvement Area A Special Taxes; the costs of the School District, District or any designee thereof related to an appeal of the Improvement Area A 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.

“Affiliate” means any entity owned, controlled or under common ownership or control by or with, as applicable, a Property Owner and includes all general partners of any entity which is a partnership. Control shall mean ownership of fifty percent (50%) or more of the voting power of or ownership interest in the respective entity.

“Annual Debt Service” means, 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 Requirement” shall have the meaning given such term in the Improvement Area A Special Tax RMA.

“Annual Special Taxes” shall have the meaning given such term in the Second Supplement to Mitigation Agreement.

“Assessor’s Parcel” means an Assessor’s Parcel as defined in the Improvement Area A Special Tax RMA.

“Associate Superintendent” means the Associate Superintendent, Business Support Services, of the District.

“Authorized Representative” of the District means the Superintendent, or the Associate Superintendent, or any other person designated in writing by the Superintendent or the Associate Superintendent acting on behalf of the District under or with respect to the Indenture and all other agreements related hereto.

“Average Annual Debt Service” means, as of the date of any calculation, the average annual debt service on the Bonds based upon a Bond Year during the current or any future Bond Year.

“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.

“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 \$10,000,000 Poway Unified School District Community Facilities District No. 15 (Del Sur East) Improvement Area A 2014 Special Tax Bonds, issued 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 to September 1, 2014.

“Building Permit” shall have the meaning given such term in the Improvement Area A Special Tax RMA.

“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.

“Capitalized Interest Subaccount” means the account by that name established within the Bond Service Fund pursuant to the Indenture.

“Cash Deposit” means a deposit of good funds by a Property Owner with the Fiscal Agent in the applicable Stated Amount in lieu of depositing a Letter of Credit or Substitute Letter of Credit pursuant to the Second Supplement to Mitigation Agreement.

“City” means the City of San Diego, California.

“City Improvement” shall have the meaning given to such term in the Second Supplement to Mitigation Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Comptroller of the Currency” means the Comptroller of the Currency of the United States.

“Costs of Issuance” means, as to the Bonds, all of the 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, the 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 the 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, special tax consultant and other fees and expenses incurred in connection with the issuance of the 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.

“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 Improvement Area A Special Taxes.

“Delinquency Proceeds” means the net amounts collected from the redemption of delinquent Improvement Area A 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 A Special Tax resulting from the delinquency in the payment of Improvement Area A Special Taxes due and payable on such property and net of County of San Diego, foreclosure counsel and other fees and expenses incurred by or on behalf of the District or the School District in undertaking such foreclosure proceedings.

“Delivery Date” means the date on which the Bonds are issued and delivered to the initial purchaser thereof.

“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 Improvement Area A Special Tax RMA.

“Discrete Component” shall have the meaning given such term in the Second Supplement to Mitigation Agreement.

“District” means Poway Unified School District Community Facilities District No. 15 (Del Sur East).

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

“Escrow Bonds” mean the Bonds maturing on September 1, 2024, September 1, 2034 and September 1, 2044 which are subject to mandatory sinking fund redemption pursuant to the provisions of the Indenture.

“Escrow Bonds Capitalized Interest Account” means the account by that name in the Escrow Fund established within the Escrow Fund pursuant to the provisions of the Indenture.

“Escrow Fund” means the fund by that name established pursuant to the provisions of the Indenture.

“Fiscal Agent” means Zions First National Bank, and any successor thereto.

“Fiscal Year” means the 12 month period beginning July 1 of each year and terminating on June 30 of the following year, or any other annual accounting period hereinafter selected and designated by the District as its fiscal year in accordance with applicable law.

“Government Obligations” means obligations described in Paragraph 1 of the definition of Permitted Investments.

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

“Improvement Area A” means Improvement Area A of the District.

“Improvement Area A Improvement Fund” means the fund by that name established pursuant to the Indenture.

“Improvement Area A Special Tax” means the Special Tax authorized to be levied in Improvement Area A to finance the acquisition or construction of the City Improvements pursuant to the Act, the Second Supplement to Mitigation Agreement, and the Improvement Area A Special Tax RMA.

“Improvement Area A Special Tax Fund” means the fund by that name established pursuant to the Indenture.

“Improvement Area A Special Tax RMA” means the Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 15 of the Poway Unified School District pertaining to the levy of the Improvement Area A Special Tax approved at the special election held in Improvement Area A of the District on December 17, 2012, as may be modified from time to time in accordance with the Act.

“Improvement Area A Special Tax Revenues” means (a) the proceeds of the Improvement Area B Special Tax levied and received by the District, and (b) the Delinquency Proceeds.

“Improvement Area Bonds” shall have the meaning given such term in the Second Supplement to Mitigation Agreement.

“Indenture” means the Bond Indenture, as amended or supplemented pursuant to the terms thereof.

“Independent Accountant” means any certified public accountant or firm of such certified public accountants appointed and paid by the District, and who, or each of whom:

1. is in fact independent and not under domination of the District or the School District;
2. does not have any substantial interest, direct or indirect, in the District or the School District; and
3. is not an officer or employee of the District or the School District, but who may be regularly retained to make annual or other audits of the books of or reports to the School District or the District.

“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>), or such service or services as the District may designate in accordance with then-current guidelines of the Securities and Exchange Commission in a certificate 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 March 1, 2015.

“Investment Agreement” means any investment satisfying the requirements of Paragraph 11 of the definition of Permitted Investments.

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

“Letter of Credit” means a Letter of Credit issued pursuant to the Second Supplement to the Mitigation Agreement by a Letter of Credit Bank, or any reissuance or extension thereof, which Letter of Credit shall be in the Stated Amount therefor.

“Letter of Credit Bank” means the issuer from time to time of a Letter of Credit and the respective successors and assigns of the business thereof and any surviving, resulting or transferee banking association or corporation with or into which it may be consolidated or merged or to which it may transfer all of its banking business, provided that the short-term and long-term ratings of such entity are at least investment grade, such entity must have a minimum Moody’s long-term rating of “A” and short-term rating of “P-1,” as evidenced by proof provided by such Letter of Credit Bank to the District and the Fiscal Agent.

“Letter of Credit Fund” means the fund by that name established pursuant to the Indenture.

“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 Improvement Area A Special Tax RMA.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Improvement Area A Special Tax Revenues” means Improvement Area A Special Tax Revenues excluding (a) the amount necessary to annually fund the Administrative Expense Requirement, and (b) Surplus Special Taxes.

“Nominee” means the nominee of the Depository that may be the Depository, as determined from time to time by the Depository.

“Outstanding” means as to the Bonds, all of the Bonds, except:

1. Bonds theretofore canceled or surrendered for cancellation in accordance with the provisions of the Indenture;
2. Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the terms of the Indenture; and
3. Bonds for the payment or redemption of which monies 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.

“Participant” means a member of or participant in the Depository.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Fiscal Agent shall be entitled to rely upon any written investment direction from an Authorized Representative of the District as a certification to the Fiscal Agent that such investment constitutes a Permitted Investment):

1.
 - A. Direct obligations (other than an obligation subject to variation in principal payment) of the United States of America (“United States Treasury Obligations”);
 - B. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;
 - C. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or
 - D. Evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.
2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - A. Federal Home Loan Mortgage Corporation (FHLMC)

- (1) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - (2) Senior Debt obligations
 - B. Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - (1) Consolidated system-wide bonds and notes
 - C. Federal Home Loan Banks (FHL Banks)
 - (1) Consolidated debt obligations
 - D. Federal National Mortgage Association (FNMA)
 - (1) Senior debt obligations
 - (2) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - E. Student Loan Marketing Association (SLMA)
 - (1) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - F. Financing Corporation (FICO)
 - (1) Debt obligations
 - G. Resolution Funding Corporation (REFCORP)
 - (1) Debt obligations.
- 4. Unsecured certificates of deposit, time deposits, deposit accounts and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.
- 5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.
- 6. Commercial paper (having original maturities of not more than 270 days rated "A-1" by S&P and "Prime-1" by Moody's.
- 7. Money market funds rated "AAM-1" by Moody's or "AAM-G" by S&P, or better.
- 8. State Obligations, which means:
 - A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
 - B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "Prime-1" by Moody's.

- C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.
9. Pre-refunded municipal obligations rated “AAA” by S & P and “Aaa” by Moody’s meeting the following requirements:
- A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
 - B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
 - C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);
 - D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
 - E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
 - F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

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

- A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);
- B. The Fiscal Agent or a third party acting solely as agent therefor or for the District (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);
- C. 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);
- 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 within 10 days of receipt of such withdrawal, suspension or downgrade 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 hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
 - B. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated 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);

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, as appropriate, and
- (2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("Event of Insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, as appropriate.

12. The Local Agency Investment Fund (LAIF) administered by the treasurer of the State to the extent such deposits remain in the name of and control of the Fiscal Agent.

"Prepayments" means Improvement Area A Special Tax Revenues identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Improvement Area A Special Tax.

"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, CA 90071 or such other offices as may be specified to the District by the Fiscal Agent in writing.

"Project Area" shall have the meaning given to such term in the Second Supplement to Mitigation Agreement.

"Property Owner" shall have the same meaning given the term "Owner" in the Second Supplement to Mitigation Agreement.

"Purchase Price" shall have the meaning given such term in the Second Supplement to Mitigation Agreement.

"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.

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

"Reserve Requirement" means an amount initially equal to \$799,185.31 which amount shall, as of any date of calculation, be equal to the least of (i) Maximum Annual Debt Service for the Bonds; (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Bonds; or (iii) ten percent (10%) of the original issue price the Bonds calculated in accordance with Section 1.148-2(f)(1) of the Regulations.

"School District" means the Poway Unified School District.

"School Facilities" shall have the meaning given such term in the Second Supplement to Mitigation Agreement.

“Second Supplement to Mitigation Agreement” means the Second Supplement to Subarea I Black Mountain Ranch Phase III School Impact Mitigation Agreement made and entered into as of November 1, 2012 by and between the School District and Black Mountain Ranch LLC, as it may be amended or supplemented by the parties thereto.

“Securities Depositories” shall mean the following registered securities depositories: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax - 516/227-4039 or 4190; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the District may designate in a certificate of the District delivered to the Trustee.

“Special Tax Consultant” means any person or firm possessing demonstrated experience and expertise in the preparation of special tax formulas and/or the administration of special taxes levied for community facilities districts. 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 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 by 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.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Rating Services, its successors and assigns.

“State” means the State of California.

“Stated Amount” means the amount available to be drawn under any Letter of Credit or Cash Deposit or Letters of Credit from time to time, as such amount is set forth in the initial Letter of Credit delivered on the Closing Date and as such amount shall be stated in such Letters of Credit thereafter delivered to the Fiscal Agent. During each Fiscal Year in which such Letter of Credit is in effect, the Stated Amount of each Letter of Credit shall equal the estimated amount of Special Taxes to be levied secured by such Letter of Credit during that Fiscal Year.

“Substitute Letter of Credit” shall have the meaning given such term in the Second Supplement to Mitigation Agreement.

“Superintendent” means the Superintendent of the School District, acting for and on behalf of the District.

“Supplemental Indenture” means any bond indenture then in full force and effect which has been duly approved by resolution of the Legislative Body under and pursuant to the Act at a meeting of the Legislative Body duly convened and held, at which a quorum was present and acted thereon, amendatory hereof or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Supplemental School Facilities” shall have the meaning given such term in the Second Supplement to Mitigation Agreement.

“Surplus Special Taxes” shall mean the amount by which the Annual Special Taxes collected from Developed Property within Improvement Area A pursuant to the Improvement Area A RMA exceeds the Minimum Annual Special Tax Requirement for any Fiscal Year in which (a) all of the Taxable Property in Improvement Area A is Developed Property, (b) the Bonds have been issued in the maximum principal amount authorized to be issued for Improvement Area A or the Property Owner and District have agreed that no additional bonds, excluding Parity Bonds, secured by the Improvement Area A Special Taxes shall be issued for Improvement Area A, (c) Improvement Area A has funded the Purchase Price of City

Improvements from all moneys deposited in the Improvement Fund established pursuant to the provisions of the Indenture.

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

“Taxable Property” shall have the meaning given such term in the Improvement Area A RMA.

“Term Bonds” means the Bonds maturing on September 1, 2038, and the Bonds maturing on September 1, 2044.

“Transferee” shall have the meaning given such term in the Second Supplement to Mitigation Agreement.

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

Establishment of Funds and Accounts

Improvement Area A Special Tax Fund.

- (a) The District shall, no later than the tenth (10th) Business Day after which Improvement Area A Special Tax Revenues have been received by the District and in any event not later than February 15th and August 15th of each year, transfer such Improvement Area A Special Tax Revenues to the Fiscal Agent, and except as set forth in the following sentence, such amounts shall be deposited in the Improvement Area A Special Tax Fund.
- (b) With the exception of Improvement Area A Special Tax Revenues representing Prepayments which shall be transferred pursuant to the provisions of Paragraph C below, the Improvement Area A Special Tax Revenues deposited in the Improvement Area A Special Tax Fund shall be held in trust or transferred to the following other funds and accounts on the dates and in the amounts set forth in 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 Improvement Area A 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 of redemption of the Bonds, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date.
 - (3) The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Interest Payment Date and redemption date on which the principal of the Bonds shall be payable, pursuant to Paragraph C below, 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 required to be redeemed on such date pursuant to Paragraph C below.
 - (4) On or after March 2 and September 2 of each year after making the transfers and deposits required under (1) and (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 a written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Improvement Area A Special Tax Fund to the Rebate Fund the amount specified in the 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 Improvement Area A Special Tax Fund to the Administrative Expense Fund the amounts specified in the request to pay (a) those Administrative Expenses which the District reasonably expects will become due and payable during such Fiscal Year in excess of the Administrative Expense Requirement for such Fiscal Year; and (b) any Administrative Expenses that have previously been incurred and paid by the District from funds other than the Administrative Expense Fund.
 - (7) If, on or after September 2 of each year, after making the deposits and transfers required under (1) through (6) above, monies remain in the Improvement Area A Special Tax Fund, such monies shall remain on deposit in the Improvement Area A Special Tax Fund and shall be subsequently deposited or transferred pursuant to the provisions of (1) through (6) above; provided, however, that if at any time and from time to time the District determines, pursuant to the Second Supplement to Mitigation Agreement, that all or any portion of such monies constitute the proceeds of Surplus Special Taxes, the District may, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer that amount of such monies constituting Surplus Special Taxes to the School District to be utilized pursuant to the provisions of the Second Supplement to Mitigation Agreement to finance acquisition or construction of Supplemental School Facilities or School Facilities.
- (c) The Fiscal Agent shall, upon receipt of Improvement Area A 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 provisions of the Indenture.
 - (d) When there is no longer any Bonds Outstanding, any amounts then remaining on deposit in the Improvement Area A Special Tax Fund shall be transferred to the District to be utilized to finance the acquisition or construction of Supplemental School Facilities pursuant to the provisions of the Second Supplement to Mitigation Agreement.

Bond Service Fund.

Interest Account. All moneys in the Interest Account, including the Capitalized Interest Subaccount, 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). All funds on deposit in the Capitalized Interest Subaccount shall be withdrawn and used to pay interest on the Bonds on March 1, 2015 and September 1, 2015 in the respective amounts set forth in the Indenture. When all moneys in the Capitalized Interest Subaccount have been withdrawn, such subaccount shall be closed. All moneys transferred to the Interest Account from the Escrow Bonds Capitalized Interest Account pursuant to the provisions of the Indenture shall be used to pay interest on the Escrow Bonds prior to any funds on deposit in the Interest Account.

Principal Account. All moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof, or (ii) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof pursuant to the Indenture.

Costs of Issuance Fund.

The Fiscal Agent shall, upon the written requisition of the District executed by an Authorized Representative, in substantially the form attached 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 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 Improvement Area A Improvement Fund. Upon such transfer, the Costs of Issuance Fund shall be closed.

Improvement Area A Improvement Fund

The Fiscal Agent shall, from time to time, disburse moneys from the Improvement Area A Improvement Fund to pay Actual Costs. Upon receipt of a payment request of the District duly executed by an Authorized Representative in substantially the form attached to the Indenture (which payment request shall not exceed the corresponding payment request provided to the School District under the Second Supplement to Mitigation Agreement), the Fiscal Agent shall pay the Actual Costs from amounts in the Improvement Area A Improvement Fund directly to the contractor or such other person, corporation or entity entitled to payment hereunder (including reimbursements, if any, to the District) unless the District requests payment to be made to the contractor or such other party jointly, in which case said Actual Costs shall be paid jointly. The Fiscal Agent may rely on an executed payment request as complete authorization for said payments.

After the final payment or reimbursement of all Actual Costs of City Improvements as certified by delivery of a written notice from an Authorized Representative to the Fiscal Agent, the Fiscal Agent shall transfer excess monies, if any, on deposit in, or subsequently deposited in, the Improvement Area A Improvement Fund to the Improvement Area A Special Tax Fund and the Fiscal Agent shall apply the amount so transferred in accordance with the Indenture. Upon such transfer, the Improvement Area A Improvement Fund shall be closed.

Notwithstanding anything in the Indenture to the contrary, if on the date which is three (3) years from the Delivery Date of the Bonds, any funds derived from the Bonds remain on deposit in the Improvement Area A Improvement Fund, upon written instruction from the District, the Fiscal Agent shall restrict the Yield on such amounts so that the Yield earned on the investment of such amounts is not in excess of the Yield on the Bonds, unless in the written opinion of Bond Counsel delivered to the Fiscal Agent such restriction is not necessary to prevent an impairment of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

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 Improvement Area A Special Tax Fund, the Bond Service Fund, and the Letter of Credit Fund for such purpose are insufficient therefore or redeeming Bonds as described below. 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 Authorized 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 to the Administrative Expense

Fund, the Interest Account, and the Principal Account 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 monies in the Improvement Area A 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 the 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 Improvement Area A 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 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 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.

Redemption Fund

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

Escrow Fund.

Moneys on deposit in the Escrow Bonds Capitalized Interest Account of the Escrow Fund shall be released therefrom on each Interest Payment Date, commencing March 1, 2015, and transferred to and deposited in the Interest Account of the Bond Service Fund for the payment of interest on the Escrow Bonds which is due and payable on such Interest Payment Date.

Moneys on deposit in the Escrow Fund, including the Escrow Bonds Capitalized Interest Account of the Escrow Fund, shall be released from the Escrow Fund and transferred to and deposited in the Improvement Area A Improvement Fund and the Reserve Fund on any date after the Delivery Date upon which the Fiscal Agent shall have received a written certificate of the District executed by an Authorized Representative (1) specifying (a) the amount to be transferred from each of the Escrow Bonds Capitalized Interest Account and the Escrow Fund itself and (b) the amount to be deposited into each of the Improvement Area A Improvement Fund and the Reserve Fund and (2) certifying that following such transfer the aggregate amount of the Assigned Annual Special Tax that may be levied on each Assessor's Parcel of Developed Property in each Fiscal Year following such transfer shall not be less than (a) the Administrative Expense Requirement for each such Fiscal Year plus (b) 110% of the scheduled debt service on the Outstanding Bonds, excluding the remaining Escrow Bonds, to be payable from such Assigned Annual Special Taxes. The Property Owner may request no more than two (2) releases from the Escrow Fund pursuant to this paragraph.

If the Fiscal Agent shall have received such a written certificate as described in the preceding paragraph, the Fiscal Agent shall transfer the amounts in the Escrow Fund, including the Escrow Bonds Capitalized Interest Account, as follows:

1. Into the Reserve Fund, the portion of the amount in the Escrow Fund required to maintain the Reserve Fund at the Reserve Requirement (to the extent that the transfer of the moneys from the Escrow Fund increases the amount required to be on deposit in the Reserve Fund).
2. Into the Improvement Area A Improvement Fund, the amount remaining in the Escrow Fund, including the Escrow Bonds Capitalized Interest Account, following the transfer to the Reserve Fund pursuant to clause 1 above.

Such written certificate shall specify the amounts to be deposited in the Improvement Area A Improvement Fund and the Reserve Fund, respectively.

If any moneys remain on deposit in the Escrow Fund on January 1, 2016, the District shall determine if any such moneys are eligible to be released from the Escrow Fund pursuant to paragraph B above. If any such moneys are eligible to be so released, the District shall cause a certificate as required pursuant to paragraph above to be delivered to the Fiscal Agent directing the Fiscal Agent to transfer such eligible moneys from the Escrow Fund pursuant to such paragraph prior to January 15, 2016. All moneys on deposit in the Escrow Fund, including the Escrow Bonds Capitalized Interest Account thereof, on January 15, 2016, shall be transferred to the Redemption Fund and used to redeem Escrow Bonds pursuant to the provisions of the Indenture on March 1, 2016.

When all moneys in the Escrow Bonds Capitalized Interest Account have been released and transferred from such account, such account shall be closed. When all moneys in the Escrow Fund have been released and transferred from such fund, such fund shall be closed.

Letter of Credit Fund.

Letter of Credit; Purpose; Duration. As a condition precedent to issuance of the Bonds, the District shall cause each applicable Property Owner to provide a Letter of Credit or Cash Deposit pursuant to the provisions of the Second Supplement to Mitigation Agreement in the applicable Stated Amount therefor for each Project Area within Improvement Area A and having the Fiscal Agent as beneficiary. The Fiscal Agent shall deposit any Letter of Credit, Substitute Letter of Credit, or Cash Deposit provided pursuant to the Second Supplement to Mitigation Agreement in the Letter of Credit Fund.

Deposits into the Letter of Credit Funds; Transfers from the Letter of Credit Fund.

1. Draws Prior to an Interest Payment Date. Ten Business Days before each Interest Payment Date, the Fiscal Agent shall determine whether amounts on deposit in the Bond Service Fund for that Interest Payment Date will be sufficient to pay principal of and interest on the Bonds that will be due and payable on such Interest Payment Date and notify the District of any deficiency. If amounts in the Bond Service Fund will be insufficient to pay principal of and interest on the Bonds and such insufficiency is attributable to the delinquency in the payment of Improvement Area A Special Taxes levied on properties owned by the Property Owner that provided a Letter of Credit or Cash Deposit pursuant to the Second Supplement to Mitigation Agreement or an Affiliate of such Property Owner, the Fiscal Agent shall upon the receipt of written direction of an Authorized Representative (prior to any withdrawals from the Reserve Fund) draw upon such Letter of Credit or withdraw money from the Cash Deposit; provided, however, that the amount of such draw or withdrawal (as set forth in said written direction of the Authorized Representative) shall be no greater than the delinquent Improvement Area A Special Taxes levied on such Properties. The Fiscal Agent shall deposit the proceeds of any such draw upon a Letter of Credit into the Letter of Credit Fund. On the day preceding the Interest Payment Date, and prior to any transfers from the Reserve Fund, the Fiscal Agent shall transfer the amount of such draw on the Letter of Credit or an equivalent amount from any Cash Deposit from the Letter of Credit Fund to the Bond Service Fund.

In the event of a draw on a Letter of Credit or transfer of funds from a Cash Deposit, the Fiscal Agent shall, upon receipt of Delinquency Proceeds representing the Improvement Area A Special Taxes the delinquency of which necessitated such draw on such Letter of Credit or transfer of funds from a Cash Deposit, reimburse (a) the applicable Letter of Credit Provider from such Delinquency Proceeds in an amount not to exceed such draw on such Letter of Credit; or (b) deposit an amount not to exceed such transfer from such Cash Deposit in the Letter of Credit Fund to replenish such Cash Deposit

2. Draws Prior to Termination of the Letter of Credit. If a Letter of Credit is not renewed, or a Substitute Letter of Credit or Cash Deposit not provided within fifteen (15) days prior to stated expiration date of such Letter of Credit and the requirements for the release or termination of such Letter of Credit have not then been met, the Fiscal Agent shall draw on the full amount of such Letter of Credit without instruction from the District. In the event the Fiscal Agent makes such a draw upon a Letter of Credit, the Fiscal Agent shall deposit the proceeds of such draw into the Letter of Credit Fund and pending any transfer to the Bond Service Fund for the purposes described above, such proceeds shall be invested and reinvested by the Fiscal Agent in Permitted Investments described in paragraph 7 of the definition thereof. At no time shall the District direct that the proceeds of a draw on any Letter of Credit or any Cash Deposit held in the Letter of Credit Fund be invested by the Fiscal Agent at a yield exceeding the yield on the Bonds. Investment earnings and profits from such investments shall be retained in the Letter of Credit Fund until such time as the Letter of Credit Fund is no longer required and at such time all interest earnings shall be paid over to the Property Owner.

Letter of Credit Requirements. Except as otherwise provided in the Indenture, the provisions of the Second Supplement to Mitigation Agreement shall establish and govern all requirements related to any Letter of Credit provided thereunder or under the Indenture including but not limited to applicability of the requirement to provide a Letter of Credit, determination of the Stated Amount thereof, renewal,

substitution, reduction and termination thereof. No amendment may be made to any provision of the Second Supplement to Mitigation Agreement pertaining to the provision of a Letter of Credit that would be materially adverse to the interests of the Bondowners without the consent of the Bondowners obtained pursuant to the provisions of the Indenture.

Receipt by District of any Letter of Credit, Substitute Letter of Credit or Cash Deposit. If the District shall receive a Letter of Credit or a Substitute Letter of Credit provided pursuant to the terms of the Second Supplement to Mitigation Agreement or a Cash Deposit, the District shall immediately transfer such Letter of Credit, Substitute Letter of Credit, or Cash Deposit to the Fiscal Agent. The District shall provide written instructions to the Fiscal Agent to return any Letter of Credit to the Letter of Credit Provider thereof for which a Substitute Letter of Credit or Cash Deposit is being provided upon the effective date of such Substitute Letter of Credit or upon receipt by the Fiscal Agent of such Cash Deposit.

Termination or Release of a Letter of Credit, Substitute Letter of Credit or Cash Deposit. If any Letter of Credit or Substitute Letter of Credit is terminated pursuant to the provisions of the Second Supplement to Mitigation Agreement the District shall provide written notice of such termination to the Fiscal Agent together with instructions directing the Fiscal Agent to return such Letter of Credit to the Letter of Credit Provider thereof.

If the requirement to provide a Letter Credit is terminated pursuant to the provisions of the Second Supplement to Mitigation Agreement in any case where a Cash Deposit has been provided, the District shall provide written notice of such termination to the Fiscal Agent together with instructions directing the Fiscal Agent to return such Cash Deposit to the Property Owner, and any interest earnings thereon, who provided such Cash Deposit.

Actions by the District. In the event any Letter of Credit Bank wrongfully refuses to honor any drawing made on any Letter of Credit, the District, on behalf of the owners of the Bonds, shall immediately bring an action and pursue any remedy available at law or in equity for the purpose of compelling the Letter of Credit Bank to honor such drawing and to enforce the provisions of the Letter of Credit.

Property Owners as Third Party Beneficiary. Each Property Owner that has provided a Letter of Credit or Cash Deposit pursuant to the Second Supplement to Mitigation Agreement and this Indenture shall be an express third party beneficiary of the provisions of the Indenture pertaining to the Letter of Credit with the right to enforce the provisions of that Letter of Credit.

Investment of Funds.

Unless otherwise specified in the Indenture, monies in the Improvement Area A Special Tax Fund, the Bond Service Fund, the Improvement Area A Improvement Fund, the Reserve Fund, the Costs of Issuance Fund, and 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). Monies in the Redemption Fund and the Rebate Fund shall, at the written direction of the District by an Authorized Representative, be invested in Government Obligations or money market funds comprised solely of Government Obligations rated in the highest rating category of S&P. Notwithstanding anything herein to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in paragraph 7 of the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Fiscal Agent.

Obligations purchased as investments of monies in any fund or account shall be deemed at all times to be a part of such fund or account. Except as 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 Permitted Investments except when it is necessary to segregate a fund or account or portion thereof for purposes of restricting the Yield on the investment of such funds.

Subject to the restrictions set forth in the Indenture and/or any written investment instructions received by 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 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 monies 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.

Amendments or Supplements.

The Legislative Body may, by adoption of a resolution from time to time, and at any time but without notice to or consent of any of the Bondholders, approve a Supplemental Indenture hereto for any of the following purposes:

- (a) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision 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; or
- (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 authorize the issuance of bonds on a parity with the Bonds pursuant to the provisions of the Indenture for the purpose of refunding all or a portion of the Bonds then outstanding.

Exclusive of the Supplemental Indentures hereto provided for in the preceding paragraph, 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, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Bond; or (b) 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, (x) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (y) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture, or (z) creating of a pledge of or lien or charge upon the Improvement Area A Special Tax Revenues, as applicable, superior to the pledge provided for of 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 shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the bond register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as provided for in the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to the approval thereof by the Legislative Body substantially in the form of the copy thereof referred to in such Notice as on file with the District, such proposed Supplemental Indenture, when duly approved by the Legislative Body, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the approval of any Supplemental Indenture, Bonds which are 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 hereto 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, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced 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.

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 in lieu of any Bond alleged to have been lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by 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 under 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.

Covenants.

General. 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 Improvement Area A Special Tax Revenues, as applicable.

Covenant to Foreclose. 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 Improvement Area A Special Tax levied in such Fiscal Year to determine the amount of such Improvement Area A Special Tax actually collected in such Fiscal Year. If the District determines that (a) any single parcel subject to such Improvement Area A Special Tax is delinquent in the payment of such Improvement Area A Special Taxes in the aggregate of \$7,500 or more; or (b) any single parcel or parcels under common ownership subject to such Improvement Area A Special Tax are delinquent in the payment of such Improvement Area A Special Taxes in the aggregate of \$15,000 or more, the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this section and for which such Improvement Area A Special Taxes remain delinquent. With respect to aggregate delinquencies throughout the District, if the District determines that it has collected less than 95% of the Improvement Area A Special Taxes levied in the such Fiscal Year, then the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this section and for which Improvement Area A Special Taxes remain delinquent if the aggregate amount collected remains less than 95% of the Improvement Area A Special Taxes levied in such Fiscal Year.

Protection of Security. 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.

No Senior or Parity Liens. The District will not issue any other obligations payable, principal or interest, from the Improvement Area A Special Taxes which have, or purport to have, any lien upon the Improvement Area A Special Taxes superior to or on a parity with the lien of the Bonds herein authorized. Nothing in the Indenture shall prevent the District from issuing and selling, pursuant to law, refunding bonds or other refunding obligations payable from and having a first lien upon the Improvement Area A Special Taxes on a parity with the Outstanding Bonds so long as the issuance of such refunding bonds or other refunding obligations results in a reduction in the Annual Debt Service on the Bonds and such refunding bonds or other refunding obligations taken together.

Levy of Improvement Area A Special Taxes. The District shall comply with all requirements of the Act so as to assure the timely collection of the Improvement Area A Special Taxes, as applicable. The District shall annually ascertain the parcels on which the Improvement Area A 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 Improvement Area A Special Tax in accordance with the Improvement Area A Special Tax RMA and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Improvement Area A 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 Improvement Area A 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 Improvement Area A Special Tax on the next real property tax roll.

To the maximum extent that the law permits it to do so, the District covenants, that it shall not initiate proceedings to reduce the Maximum Special Tax (as defined in the Improvement Area A Special Tax RMA), unless, in connection therewith, (i) the 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 the District as of the July 1 preceding the reduction, such Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Improvement Area A Special Tax RMA, as applicable) 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 is located 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 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 Improvement Area A Special Tax RMA or to limit the power or authority of the District to levy Improvement Area A Special Taxes pursuant to the Improvement Area A Special Tax RMA, the District shall, from funds available hereunder, commence and pursue legal action in order to preserve the authority and power of the District to levy Improvement Area A Special Taxes pursuant to the Improvement Area A Special Tax RMA.

Proper Books and Records. 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 Improvement Area A Special Tax Revenues, as applicable, and other funds provided for by the Indenture.

Tax Covenants. 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.

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 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 this Section it is necessary to restrict or limit the yield on the investment of any monies 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.

Notwithstanding any provision of this covenant, 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 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.

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

Adoption of Policy Regarding Tender of Bonds. The District covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting tender of Bonds in full payment or partial payment of any Improvement Area A Special Taxes unless it first receives a certificate of a Special Tax Consultant that accepting such tender will not result in the District having insufficient Improvement Area A Special Tax Revenues to pay the principal of and interest on the Bonds when due.

Defeasance.

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture, then the Owner of such Bond shall cease to be entitled to the pledge of the Improvement Area A 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, 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, noncallable Permitted Investments of the type described in subparagraph 1 of the definition thereof, 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 Independent Accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank, together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate Fund) and available for such purpose, together with the interest to accrue thereon to pay and discharge the principal 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 the preceding paragraph (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.

Provisions Constitute a Contract.

The provisions of the Indenture shall constitute a contract between the District and the Bondowners and the provisions of the Indenture shall be enforceable by any Bondowner for the equal benefit and protection of all Bondowners similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State in any court of competent jurisdiction. Said contract is made under and is to be construed in accordance with the laws of the State.

No remedy conferred by the Indenture upon any Bondowner is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law of the State. No waiver of any default or breach of duty or contract by any Bondowner shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Bondowner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any

such default or acquiescence therein. Every substantive right and every remedy conferred upon the Bondowners may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the Bondowner shall prevail, said Bondowner shall be entitled to receive from the Special Tax Fund reimbursement for reasonable costs, expenses, outlays and attorney's fees, and should said suit, action or proceeding be abandoned or be determined adversely to the Bondowners then, and in every such case, the District and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

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 thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or
- (d) The filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Application of Revenues and Other Funds After Default

If a default in the payment of the Bonds shall occur and be continuing, all revenues and any other funds then held or thereafter received under any of the provisions of the Indenture shall be applied as follows and in the following order:

- A. To the payment of any expenses necessary in the opinion of the District to protect the interest of the Owners of the Bonds and payment of reasonable charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;
- B. To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only

partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity of redemption, and if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without discrimination or preference.

Remedies of the Owners.

Following the occurrence of an Event of Default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

A. By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

B. By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

C. By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in the Indenture 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 herein provided, out of the applicable 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.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by this article 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 herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

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APPENDIX F

FORM OF COMMUNITY FACILITIES DISTRICT CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and entered into as of July 1, 2014, by and between the Poway Unified School District, on behalf of the Poway Unified School District Community Facilities District No. 15 (Del Sur East) (the “Community Facilities District”), and Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”) in its capacity as Fiscal Agent (the “Fiscal Agent”), and agreed to and accepted by Dolinka Group, LLC, a California limited liability company, in its capacity as Dissemination Agent (the “Dissemination Agent”) under this Disclosure Agreement in connection with the issuance of the Poway Unified School District Community Facilities District No. 15 (Del Sur East) Improvement Area A 2014 Special Tax Bonds (the “2014 Bonds”);

W I T N E S S E T H :

WHEREAS, pursuant to Bond Indenture, dated as of July 1, 2014 (the “Indenture”), by and between the Community Facilities District and the Fiscal Agent, the Community Facilities District has issued the 2014 Bonds in the aggregate principal amount of \$10,000,000; and

WHEREAS, the 2014 Bonds are payable from and secured by special taxes levied on certain of the taxable property within Improvement Area A 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 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, 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 Facility 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. 15 (Del Sur East).

“Disclosure Representative” shall mean the Superintendent of the School District, 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 Dolinka Group, LLC or any successor Dissemination Agent designated in writing by the Community Facilities District and which has filed with the Community Facilities District 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 A” shall mean Improvement Area A of the Poway Unified School District Community Facilities District No. 15 (Del Sur East).

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

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

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“School District” shall mean Poway Unified School District, Poway, California.

Section 3. Provision of Annual Reports.

(a) The Community Facilities District shall, or, shall cause the Dissemination Agent to, not later than the Annual Report Date commencing January 31, 2015, 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 and the Fiscal 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 School 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 School District’s or 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 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 and the Participating Underwriter certifying that an Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

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

(a) Audited Financial Statements of the School District prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If audited financial statements are not available, at the time required for filing, unaudited financial statements shall be submitted with the Annual Report, and audited financial statements shall be submitted once available.

(b) The following information regarding the 2014 Bonds and any parity bonds or refunding bonds:

- (i) Principal amount of 2014 Bonds and any parity bonds or refunding bonds outstanding as of a date within 60 days preceding the date of the Annual Report;
- (ii) Balance in the 2014 Bond Service Fund as of a date within 60 days preceding the date of the Annual Report;
- (iii) Balance in the Reserve Fund and statement of Reserve Requirement as of a date within 60 days preceding the date of the Annual Report;
- (iv) While there are funds in the Improvement Fund and each account or subaccount thereof, the balance in the Improvement Fund as of a date within 60 days preceding the date of the Annual Report, and of any other fund or account not referenced in clauses (i), (ii), (iii) or (iv) hereof;
- (v) A table summarizing assessed value-to-lien ratios for the property in Improvement Area A by the Rate and Method of Apportionment of Special Taxes land use categories. The assessed values in such table will be determined by reference to the value of the parcels within Improvement Area A 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 2014 Bonds and any bonds and refunding bonds with respect to Improvement Area A and all other debt secured by a tax or assessments

levied on parcels within Improvement Area A and estimated debt service on the 2014 Bonds and any refunding bonds of the Community Facilities District for the related bond year;

- (vi) An update of Table 2 showing amounts for the current fiscal year's Special Tax levy and information regarding the annual special taxes levied in Improvement Area A, whether in the case of Developed Property the amounts are the maximum available levy under the Rate and Method of Apportionment of Special Tax with respect to Improvement Area A, amount collected, delinquent amounts and percent delinquent for the most recent fiscal year;
- (vii) Status of foreclosure proceedings of parcels within Improvement Area A and summary of results of foreclosure sales, if available;
- (viii) A land ownership summary listing property owners, if any, in Improvement Area A 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 A owned by such property owners, and the assessed value of such property, as shown on such assessment roll;
- (ix) Concerning delinquent parcels as of the immediately preceding August 15;
 - number of parcels in Improvement Area A 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 A;
 - identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding August 15, plus:
 - assessed value of applicable properties, and
 - summary of results of foreclosure sales, if available;
- (x) A copy of any report for or concerning the Community Facilities District and Improvement Area A as of the immediately preceding October 31, as required under State law;
- (xi) Any changes to the Rate and Method of Apportionment of Special Tax for the Community Facilities District or Improvement Area A approved or submitted to the qualified electors of the Community Facilities District and Improvement Area A for approval prior to the filing of the Annual Report; and

(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. Reporting of Listed Events.

(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 2014 Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities; if material;
- (xi) Rating changes;

- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;¹
- (xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Dissemination Agent shall, within three business days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the 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), (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).

(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 and shall provide a copy of such notice to the Participating Underwriter.

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

Section 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 2014 Bonds, (ii) prior redemption of the 2014 Bonds or (iii) payment in full of all the 2014 Bonds. If such determination occurs prior to the final maturity of the 2014 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 Dolinka Group, LLC. The Dissemination Agent may resign by providing 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 nor shall the Dissemination Agent be responsible for filing any Annual Report 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), 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 2014 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 2014 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 2014 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 2014 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 2014 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) or any owner or beneficial owner of the 2014 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 2014 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 2014 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 2014 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 2014 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. 15 (Del Sur East) 15250 Avenue of Science San Diego, California 92128-3406 Telephone: (858) 679-2501 Telecopier: (858) 513-0967 Attention: Superintendent
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If to the Dissemination Agent:	Dolinka Group, LLC 20 Pacifica, Suite 900 Irvine, California 92618 Telephone: (949) 250-8300 Telecopier: (949) 250-8301
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If to the Fiscal Agent:	Zions First National Bank 550 South Hope Street, Suite 2875 Los Angeles, California 90071 Telephone: (213) 593-3157 Telecopier: (866) 870-0209
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If to the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35 th Floor San Francisco, California 94104 Telephone: (415) 445-2332 Telecopier: (415) 445-2395 Attention: Municipal Research Department
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provided, however, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The parties may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

Section 14. Future Determination of Obligated Persons. In the event the S.E.C. amends, clarifies or supplements the Rule in such a manner that requires any landowner within 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. 15 (Del Sur East)

By: _____
Authorized Officer

ZIONS FIRST NATIONAL BANK,
as Fiscal Agent

By: _____
Authorized Officer

Agreed to and Accepted by
DOLINKA GROUP, LLC,
as Dissemination Agent

By: _____
Authorized Officer

[EXECUTION PAGE OF CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Poway Unified School District
Community Facilities District No. 15 (Del Sur East)

Name of Bond Issue: Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A 2014 Special Tax Bonds

Date of Issuance: August ____, 2014

NOTICE IS HEREBY GIVEN that Poway Unified School District Community Facilities District No. 15 (Del Sur East) (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 July 1, 2014, by and between the Community Facilities District and Zions First National Bank, as Fiscal Agent, and agreed to and accepted by Dolinka Group, LLC, as Dissemination Agent. [The Community Facilities District anticipates that the Annual Report will be filed by _____.]

Dated: _____

Dolinka Group, LLC, as Dissemination Agent, on behalf of
the Community Facilities District

cc: Community Facilities District No. 15 (Del Sur East)
Stifel, Nicolaus & Company, Incorporated
Zions First National Bank

APPENDIX G

FORM OF SPIC DEL SUR, LLC CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is executed and entered into as of July 1, 2014, by and between Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”), in its capacity as dissemination agent (the “Dissemination Agent”) and SPIC Del Sur, LLC, a Delaware limited liability company (“SPIC Del Sur, LLC”), with respect to the Poway Unified School District Community Facilities District No. 15 (Del Sur East) Improvement Area A Special Tax Bonds, Series 2014 (the “Improvement Area A Bonds”);

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by SPIC Del Sur, LLC for the benefit of the owners and beneficial owners of the Improvement Area A Bonds.

Section 2. Definitions. In addition to the definitions set forth above and in the Bond Indenture, dated as of July 1, 2014 (the “Indenture”), by and between the Community Facilities District (as defined below) and Zions First National Bank, as fiscal agent (the “Fiscal Agent”), which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Community Facilities District*” means Community Facilities District No. 15 (Del Sur East) of the Poway Unified School District.

“*Dissemination Agent*” means Zions First National Bank, or any successor Dissemination Agent designated in writing by SPIC Del Sur, LLC, and which has filed with SPIC Del Sur, LLC, the Community Facilities District and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Agreement.

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

“*Improvement Area A*” means Improvement Area A of Community Facilities District No. 15 (Del Sur East) of the Poway Unified School District.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Agreement.

“*MSRB*” means the Municipal Securities Rulemaking Board and any successor or entity designated under the Rule as the repository for filings made pursuant to the Rule.

“*Official Statement*” means the final official statement executed by the Community Facilities District in connection with the issuance of the Improvement Area A Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Improvement Area A Bonds required to comply with the Rule in connection with offering of the Improvement Area A Bonds.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“*Property*” means the property owned by SPIC Del Sur, LLC and the property, if any, owned by entities related to SPIC Del Sur, LLC in Improvement Area A.

“*Report Date*” means April 1 and October 1 of each calendar year.

“*Rule*” means 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*” means Poway Unified School District, San Diego, California.

“*Semi-Annual Report*” means any Semi-Annual Report provided by SPIC Del Sur, LLC pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Special Taxes*” means the special taxes levied on taxable property within Improvement Area A and used to pay debt service on the Improvement Area A Bonds.

Section 3. Provision of Semi-Annual Reports.

(a) SPIC Del Sur, LLC shall, or upon written direction shall cause the Dissemination Agent to, not later than the Report Date, commencing April 1, 2015, provide to the MSRB through the EMMA System a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement with a copy to the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the Community Facilities District. Not later than 15 calendar days prior to the Report Date, SPIC Del Sur, LLC shall provide the Semi-Annual Report to the Dissemination Agent. SPIC Del Sur, LLC shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent, the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the Community Facilities District to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Agreement. The Dissemination Agent, the Fiscal Agent, the Participating Underwriter and the Community Facilities District may conclusively rely upon such certification of SPIC Del Sur, LLC and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) If the Dissemination Agent does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to SPIC Del Sur, LLC that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct SPIC Del Sur, LLC to determine whether its obligations under this Disclosure Agreement have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If SPIC Del Sur, LLC does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB through the EMMA System by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board through the EMMA System, in substantially the form attached hereto as Exhibit A, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the Community Facilities District, the Participating Underwriter and SPIC Del Sur, LLC.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the then applicable rules and electronic format prescribed by the MSRB for the filing of continuing disclosure reports; and

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with SPIC Del Sur, LLC (if the Dissemination Agent is other than SPIC Del Sur, LLC), the Community Facilities District and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

Section 4. Content of Semi-Annual Reports. SPIC Del Sur, LLC's Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of SPIC Del Sur, LLC or related public entities, which have been submitted to the MSRB through the EMMA System or to the Securities and Exchange Commission which are available through the Internet to the public. If the document included by reference is a final official statement, it must be available from the MSRB. SPIC Del Sur, LLC shall clearly identify each such other document so included by reference. With respect only to the Semi-Annual Report that is required to be provided no later than April 1 of each Fiscal Year, if audited financial statements of SPIC Del Sur, LLC or its parent company (the "Financial Statements") are prepared, attach the audited Financial Statements or incorporate such Financial Statements by specific reference to documents which have been submitted to the MSRB through the EMMA System or the Securities and Exchange Commission which are available through the Internet to the public. If such audited Financial Statements are not available by the time such Semi-Annual Report is required to be filed, the audited Financial Statements shall be filed as a supplement or amendment to the Semi-Annual Report when they become available. Such Financial Statements shall be for the most recently ended fiscal year for the entity covered thereby. If the financial information or operating data to be provided in a Semi-Annual Report is amended pursuant to the provisions hereof, the first Semi-Annual Report containing the operating data or financial information in accordance with such amendment 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.

In addition to any of the information expressly required to be provided in Exhibit B, SPIC Del Sur, LLC's Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) SPIC Del Sur, LLC shall give, or cause to be given, in a timely manner, not in excess of ten (10) business days after the occurrence of any of the following Listed Events:

(i) bankruptcy or insolvency proceedings commenced by or against SPIC Del Sur, LLC;

(ii) failure of SPIC Del Sur, LLC, to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property prior to the delinquency date;

(iii) filing of a lawsuit against SPIC Del Sur, LLC (of which SPIC Del Sur, LLC has notice, such as through service of process), seeking damages which, if successful, could have a material and adverse impact on SPIC Del Sur, LLC's ability to pay Special Taxes prior to delinquency or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property;

(v) any uncured material payment default or other material default by SPIC Del Sur, LLC, on any loan with respect to the construction of improvements on the Property;

(vi) any denial or termination of credit, any denial or termination of, or default under, any line of credit or loan or any other loss of a source of funds that would have a material adverse effect on SPIC Del Sur, LLC's most recently disclosed financing plan or development plan or on the ability of SPIC Del Sur, LLC to pay Special Taxes within Improvement Area A of the Community Facilities District when due;

(vii) any materially adverse significant amendments to land use entitlements for SPIC Del Sur, LLC's Property;

(viii) any previously undisclosed governmentally-imposed preconditions to commencement or continuation of development on SPIC Del Sur, LLC's Property if material to the Development Plan;

(ix) any previously undisclosed legislative, administrative or judicial challenges to development on SPIC Del Sur, LLC's Property, if material to the Development Plan; and

(x) any changes, if materially adverse to the development plan, in the alignment, design or likelihood of completion of significant public improvements affecting SPIC Del Sur, LLC's Property, including major thoroughfares, sewers, water conveyance systems and similar facilities;

(b) In the case of items referenced in Section 5(a)(i) and (ii), SPIC Del Sur, LLC shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence in a timely manner, not in excess of ten (10) business days after the occurrence of the event, with the MSRB through the EMMA System, and shall provide a copy of such notice to the Fiscal Agent, the Community Facilities District and the Participating Underwriter;

(c) Upon the occurrence of a Listed Event referenced in items in Section 5(a)(iii) through (x) above, SPIC Del Sur, LLC shall in a timely manner, not in excess of ten (10) business days after the occurrence of the event determine if such event would be material under applicable federal securities law; and

(d) If SPIC Del Sur, LLC determines that knowledge of the occurrence of a Listed Event referenced in Section 5(a)(iii) through (x) would be material under applicable federal securities law, SPIC Del Sur, LLC shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence in a timely manner, not in excess of ten (10) business days after the occurrence of the event, with the MSRB through the EMMA System, and shall provide a copy of such notice to the Fiscal Agent, the Community Facilities District and the Participating Underwriter.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Duration of Reporting Obligation.

(a) All of SPIC Del Sur, LLC's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Improvement Area A Bonds, or

(ii) at such time as property owned by SPIC Del Sur, LLC and/or sold or transferred to another merchant builder or developer is in the aggregate no longer responsible for payment of 15% or more of the Special Taxes, or

(iii) the date on which SPIC Del Sur, LLC prepays in full all of the Special Taxes attributable to the Property.

SPIC Del Sur, LLC shall give notice of the termination of its obligations under this Disclosure Agreement in the same manner as for a Listed Event under Section 5.

(b) If a portion of the Property is conveyed to a person or entity that, upon such conveyance, will be responsible in the aggregate for 15% or more of the Special Taxes actually levied at any time during the then-current fiscal year (a “Major Owner”), the obligations of the Developer hereunder with respect to the property conveyed to such Major Owner may be assumed by such Major Owner, and the Developer’s obligations hereunder will be terminated. In order to effect such assumption, such Major Owner shall enter into an assumption agreement in form and substance reasonably satisfactory to the Community Facilities District and the Underwriter and for the benefit of the owners and beneficial owners of the Improvement Area A Bonds, containing terms substantially similar to this Disclosure Agreement (as modified for such Major Owner’s development and financing plans with respect to the Community Facilities District), whereby such Major Owner agrees to provide semi-annual reports and notices of significant events, setting forth the information described in Sections 4 and 5 hereof, respectively, with respect to the portion of the property in Improvement Area A owned by such Major Owner and agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 12 hereof..

Section 8. Dissemination Agent. SPIC Del Sur, LLC may, from time to time, appoint or engage a Dissemination Agent to assist SPIC Del Sur, LLC 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 Zions First National Bank. The Dissemination Agent may resign by providing thirty days’ written notice to the Community Facilities District, SPIC Del Sur, LLC and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent).

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, SPIC Del Sur, LLC may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, *provided* that the following conditions are satisfied (*provided, however*, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(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 Improvement Area A 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 Improvement Area A 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 Improvement Area A Bonds in the manner provided in 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 Improvement Area A Bonds.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent SPIC Del Sur, LLC 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 Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If SPIC Del Sur, LLC chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, SPIC Del Sur, LLC shall have no obligation under this Agreement to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of SPIC Del Sur, LLC to comply with any provision of this Disclosure Agreement, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any owner or beneficial owner of the Improvement Area A Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause SPIC Del Sur, LLC 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 SPIC Del Sur, LLC to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and SPIC Del Sur, LLC agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any such claim of liability, but excluding liabilities, costs and expenses due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder by SPIC Del Sur, LLC in accordance with its schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, including all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Community Facilities District, SPIC Del Sur, LLC, the Fiscal Agent, the Improvement Area A Bond owners, or any other party. The obligations of SPIC Del Sur, LLC under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Improvement Area A Bonds.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Agreement may be given as follows:

If to the Community Facilities District:	Community Facilities District No. 15 (Del Sur East) of the Poway Unified School District 15250 Avenue of Science San Diego, California 92128-3406 Telephone: 858/679-2552 Telecopier: 858/513-0967 Attention: Superintendent
If to the Dissemination Agent:	Zions First National Bank 550 South Hope Street, Suite 2875 Los Angeles, California 90071 Telephone: 213/593-3157 Telecopier: 866/870-0209

If to the Fiscal Agent:	Zions First National Bank 550 South Hope Street, Suite 2875 Los Angeles, California 90071 Telephone: 213/593-3157 Telecopier: 866/870-0209
If to the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35 th Floor San Francisco, California 94104 Telephone: 415/445-2300 Telecopier: 415/445-2395 Attention: Municipal Research Department
If to SPIC Del Sur, LLC:	Standard Pacific Homes San Diego Division 10610 Camino Del Sur San Diego, California 92127 Telephone: 858/618-4916 858/618-4912 Telecopier: 858/618-4911 Attention: William Ostrem/Thomas Atkin

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, SPIC Del Sur, LLC (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Improvement Area A Bonds and shall create no rights in any other person or entity. All obligations of SPIC Del Sur, LLC hereunder shall be assumed by any legal successor to the obligations of SPIC Del Sur, LLC as a result of a sale, merger, consolidation or other reorganization.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 16. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

Section 17. 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 18. 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.

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

Dated: July 1, 2014

SPIC DEL SUR, LLC,
a Delaware limited liability company

By: STANDARD PACIFIC INVESTMENT CORP.,
a Delaware corporation

Its: Sole Member

By: _____

Name: Thomas Atkin

Title: Authorized Representative

ZIONS FIRST NATIONAL BANK,
as Dissemination Agent

By: _____

Authorized Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE SEMI-ANNUAL REPORT**

Name of Issuer: Poway Unified School District
Community Facilities District No. 15 (Del Sur East)

Name of Bond Issue: Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area A Special Tax Bonds, Series 2014

Date of Issuance: August ____, 2014

NOTICE IS HEREBY GIVEN that SPIC Del Sur, LLC has not provided a Semi-Annual Report with respect to the above-named bonds as required by that certain SPIC Del Sur, LLC Continuing Disclosure Agreement, dated July 1, 2014. [SPIC Del Sur, LLC anticipates that the Semi-Annual Report will be filed by _____.]

Dated: _____

_____, as Dissemination Agent,
on behalf of Poway Unified School District

cc: Zions First National Bank
Community Facilities District No. 15 (Del Sur East)
of the Poway Unified School District
SPIC Del Sur, LLC

EXHIBIT B

SEMI-ANNUAL REPORT

**POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)
IMPROVEMENT AREA A SPECIAL TAX BONDS, SERIES 2014**

This Semi-Annual Report is hereby submitted under Section 4 of the Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of July 1, 2014, executed by the undersigned (the “Developer”) in connection with the issuance of the above-captioned bonds by the Poway Unified School District Community Facilities District No. 15 (Del Sur East) (the “Community Facilities District”).

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Agreement.

I. Property Ownership and Development

The information in this section is provided as of _____ (this date must be not more than 30 days before the date of this Semi-Annual Report).

A. Description of the Property currently owned by the Developer in Improvement Area A (the “Property”) in substance and form similar to such information in the Official Statement for the Improvement Area A Bonds.

B. Updated information regarding land development and home construction activities described in the Official Statement for the Improvement Area A Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Agreement:

C. Status of building permits and any material changes to the description of land use or development entitlements described in the Official Statement for the Improvement Area A Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Agreement:

D. Status of any land purchase contracts with regard to the Property, whether acquisition of land in Improvement Area A by the Developer or sales of land to other developers (other than individual homeowners).

II. Legal and Financial Status of Developer

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any material change in the legal structure of the Developer or the financial condition and financing plan of the Developer that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Developer or the Property contained in the Official Statement under the heading “PROPERTY OWNER AND DEVELOPMENT” that would materially and adversely interfere with the Developer’s ability to develop and sell the Property as described in the Official Statement.

V. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Certification

The undersigned Developer hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Developer under the Disclosure Agreement.

ANY OTHER STATEMENTS REGARDING THE DEVELOPER, THE DEVELOPMENT OF THE PROPERTY, THE DEVELOPER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE IMPROVEMENT AREA A BONDS, OTHER THAN STATEMENTS MADE BY THE DEVELOPER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE DEVELOPER. THE DEVELOPER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE DEVELOPER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE AGREEMENT.

Dated: _____

SPIC DEL SUR, LLC,
a Delaware limited liability company

By: STANDARD PACIFIC INVESTMENT CORP.,
a Delaware corporation

Its: Sole Member

By: _____

Name:
Title:

APPENDIX H

FORM OF OPINION OF BOND COUNSEL

August ____, 2014

Board of Education
Poway Unified School District
15250 Avenue of Science
San Diego, CA 92128

\$10,000,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)
IMPROVEMENT AREA A 2014 SPECIAL TAX BONDS

BOND OPINION

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Poway Unified School District (the "District") of Community Facilities District No. 15 (Del Sur East) Improvement Area A 2014 Special Tax Bonds in the aggregate principal amount of \$10,000,000 (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. 118-2014 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 District on June 23, 2014, and the Indenture executed in connection therewith dated as of July 1, 2014, by and between the District and Zions First National Bank, as Fiscal Agent (the "Indenture"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the 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 District, the designation of Improvement Area A 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 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 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 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 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 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 District, payable in accordance with their terms. The District has the full right, power and authority to levy and pledge the Improvement Area A Special Taxes to the Owners of the Bonds. The Bonds are limited obligations of the 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 Indenture and are not obligations of the School District, the State of California, or any public agency thereof (other than the District).

2. The Indenture has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the 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 Indenture, the 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 District with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

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 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 I

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2014 Bonds, payment of principal of and interest on the 2014 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2014 Bonds, confirmation and transfer of beneficial ownership interests in the 2014 Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2014 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.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2014 Bonds. The 2014 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 2014 Bond will be issued for each maturity of the 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

Purchases of 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2014 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 2014 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 2014 Bonds, except in the event that use of the book-entry system for the 2014 Bonds is discontinued.

To facilitate subsequent transfers, all 2014 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 2014 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2014 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 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2014 Bonds documents. For example, Beneficial Owners of the 2014 Bonds may wish to ascertain that the nominee holding the 2014 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 2014 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 2014 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 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 2014 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 2014 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 2014 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 2014 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 2014 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 2014 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 2014 Bond for each maturity of the 2014 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 2014 Bonds, then the 2014 Bonds shall no longer be restricted to being registered in the 2014 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 2014 Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the 2014 Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the 2014 Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Indenture, and (iii) the 2014 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 2014 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 2014 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 2014 Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the 2014 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 2014 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 2014 Bonds or any error or delay relating thereto.

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