

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and regulations described herein, the interest on the 2016 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain taxable income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income tax. See “LEGAL MATTERS – Tax Exemption” herein.

\$15,000,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)
IMPROVEMENT AREA C
2016 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 C 2016 Special Tax Bonds (the “2016 Bonds”) are being issued under the Mello-Roos Community Facilities Act of 1982 (the “Act”) and the Bond Indenture, dated as of April 1, 2016 (the “Indenture”), by and between Poway Unified School District Community Facilities District No. 15 (Del Sur East) (the “Community Facilities District”) and Zions Bank, a division of ZB, National Association, as fiscal agent (the “Fiscal Agent”).

The 2016 Bonds are payable from proceeds of Net Improvement Area C Special Tax Revenues (as defined herein) levied pursuant to the Rate and Method of Apportionment for Improvement Area C of Community Facilities District No. 15 of Poway Unified School District (the “Improvement Area C Rate and Method”) approved by the qualified electors of Improvement Area C of the Community Facilities District (“Improvement Area C”) and by the Board of Education of the Poway Unified School District (the “School District”), acting as the legislative body of the Community Facilities District (the “Board of Education”).

The 2016 Bonds are being issued (i) to finance, either directly or indirectly, the acquisition and construction of certain infrastructure improvements of benefit to Improvement Area C (“Infrastructure Improvements”), (ii) to pay the costs of issuing the 2016 Bonds and (iii) to fund the deposit to the Reserve Fund to the Reserve Requirement applicable to the 2016 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2016 BONDS” herein.

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

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

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

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

The 2016 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the School District and the Community Facilities District by Best Best & Krieger LLP and by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Disclosure Counsel. Additionally, Nossaman LLP, Irvine, California, has reviewed certain matters for the Underwriter. It is anticipated that the 2016 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about April 13, 2016.

STIFEL

MATURITY SCHEDULE

\$15,000,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)
IMPROVEMENT AREA C
2016 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. †
2017	\$60,000	2.000%	0.800%	XU4	2027	\$280,000	5.000%	2.850% ^C	YE9
2018	75,000	2.000	1.010	XV2	2028	310,000	5.000	2.930 ^C	YF6
2019	90,000	3.000	1.260	XW0	2029	345,000	5.000	3.000 ^C	YG4
2020	110,000	3.000	1.520	XX8	2030	380,000	4.000	3.110 ^C	YH2
2021	130,000	4.000	1.770	XY6	2031	415,000	3.125	3.290	YJ8
2022	150,000	4.000	2.010	XZ3	2032	450,000	3.250	3.380	YK5
2023	170,000	4.000	2.210	YA7	2033	485,000	3.250	3.440	YL3
2024	195,000	4.000	2.420	YB5	2034	520,000	3.250	3.490	YM1
2025	220,000	5.000	2.540	YC3	2035	555,000	3.375	3.540	YN9
2026	250,000	5.000	2.700	YD1	2036	595,000	3.500	3.580	YP4

\$3,765,000 5.000% Term 2016 Bonds due September 1, 2041 – Yield 3.520%^C CUSIP® No. † 738855 YQ2
 \$5,450,000 5.000% Term 2016 Bonds due September 1, 2046 – Yield 3.580%^C CUSIP® No. † 738855 YR0

^C Yield to the optional redemption date of September 1, 2026 at par.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. The Community Facilities District, the School District and the Underwriter take no any responsibility for the accuracy of such numbers.

POWAY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

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

SUPERINTENDENT

John P. Collins, Ed.D., *Superintendent*
Malliga Tholandi, *Associate Superintendent, Business Support Services*

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Dolinka Group, LLC
Irvine, California

FISCAL AGENT

Zions Bank, a division of ZB, National Association
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 2016 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2016 Bonds. All information for investors regarding the Community Facilities District and the 2016 Bonds is contained in this Official Statement. While the School District maintains an internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2016 Bonds or any other bonds or obligations of the School District.

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

Authorized Information. No dealer, broker, salesperson or other person has been authorized by the Community Facilities District to give any information or to make any representations in connection with the offer or sale of the 2016 Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Community Facilities District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2016 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

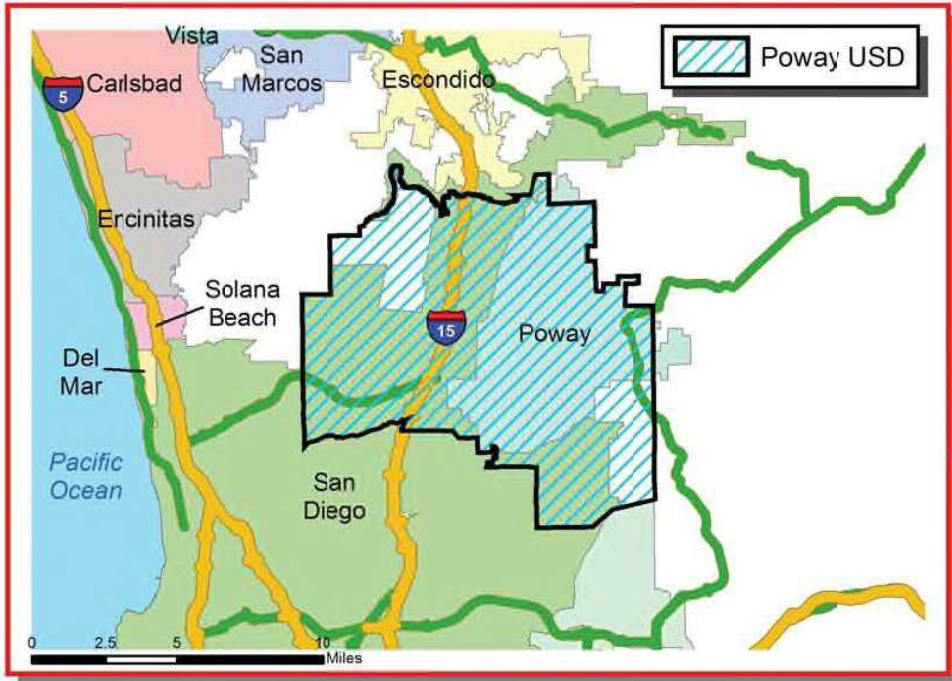
Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2016 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2016 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE 2016 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2016 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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



OFFICIAL STATEMENT

**\$15,000,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)
IMPROVEMENT AREA C
2016 SPECIAL TAX BONDS**

CHANGES FROM PRELIMINARY OFFICIAL STATEMENT

Changes have been made to this Official Statement since the publication of the Preliminary Official Statement dated March 17, 2016 (the “Preliminary Official Statement”). Subsequent to the publication of the Preliminary Official Statement, sufficient homes were sold to individual homeowners within Improvement Area C such that as of March 29, 2016, 176 homes were owned by individual homeowners, resulting in individual homeowners being responsible for 61.14% of the projected Fiscal Year 2016-17 Special Tax levy. As a result, SPIC Del Sur, LLC is no longer required to provide the Letter of Credit and/or cash deposit to the Fiscal Agent as described in the Preliminary Official Statement.

Therefore, certain changes have been made to this Official Statement since the publication of the Preliminary Official Statement to delete references to the cash deposit provided by SPIC Del Sur, LLC (the “Cash Deposit”) and the Letter of Credit/Cash Deposit requirements described in the sections “INTRODUCTION” and “SECURITY FOR THE BONDS” and APPENDIX E – “Summary of Certain Provisions of the Indenture” of the Preliminary Official Statement.

The Cash Deposit will be released in accordance with the terms of the Impact Mitigation Agreement and no further cash deposit or Letter of Credit will be required pursuant to the terms of the Impact Mitigation Agreement.

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 2016 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 C 2016 Special Tax Bonds (the “2016 Bonds”).

The 2016 Bonds are issued pursuant to the Act (as defined below) and the Bond Indenture, dated as of April 1, 2016 (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 Bank, a division of ZB, National Association, as fiscal agent (the “Fiscal Agent”). See “THE 2016 BONDS – Authority of Issuance” herein.

The Community Facilities District may issue additional bonds payable on a parity with the 2016 Bonds pursuant to the provisions of the Indenture for refunding purposes only. All of the \$15,000,000 authorization for Improvement Area C (as defined below) is being issued at this time. See “SECURITY FOR THE 2016 BONDS – Parity Bonds for Refunding Purposes Only.”

The School District

The Poway Unified School District (the “School District”) is a school district organized under the laws of the State of California (the “State”). The School District was established in 1962. The School District provides 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), one K-8 school, five high schools (9-12) and one continuation high school. The School District’s second period report (P-2, the period from July 1 to April 15) of average daily attendance (“ADA”) computed in accordance with State law for the 2015-16 academic year, is estimated at 34,490.30. The estimated population within the School District’s boundaries was approximately 197,571 as of January 1, 2015. The School District reported 35,771 students enrolled at the California Basic Educational Data System (“CBEDS”) for Fiscal Year 2015-16. See APPENDIX A – “General Information About the Poway Unified School District” herein.

The Community Facilities District and Improvement Area C

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 (the “Community Facilities District Special Taxes”) pursuant to a Community Facilities District rate and method of apportionment of special tax (the “Community Facilities District Rate and Method”).

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 C of the Community Facilities District

("Improvement Area C"), 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 C, 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 \$15,000,000 aggregate principal amount of bonds with respect to Improvement Area C to finance the Infrastructure Improvements. The Community Facilities District issued \$10,000,000 aggregate principal amount of Improvement Area A special tax bonds on August 21, 2014. No cross-collateralization exists between bonds of any Improvement Area of the Community Facilities District. See "SECURITY FOR THE 2016 BONDS – Rates and Methods – Improvement Area C Rate and Method" and "COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA C – 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 C. A portion of the costs of the Infrastructure Improvements will be financed through the levy of an annual special tax (the "Improvement Area C Special Tax," as defined below) on Developed Property (and Undeveloped Property, if necessary) in Improvement Area C as set forth in the Rate and Method of Apportionment for Improvement Area C of Community Facilities District No. 15 of Poway Unified School District (the "Improvement Area C 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 2016 BONDS – Rates and Methods – Improvement Area C Rate and Method." Annual Improvement Area C Special Taxes will be levied on Taxable Property within Improvement Area C. The Community Facilities District will use such Improvement Area C Special Taxes levied pursuant to the Improvement Area C Rate and Method and proceeds of the 2016 Bonds for the acquisition, design, construction, rehabilitation and improvement of certain Infrastructure Improvements. The 2016 Bonds are secured by and payable from the Improvement Area C Special Tax levied pursuant to the Improvement Area C Rate and Method to finance the Infrastructure Improvements. The 2016 Bonds will only finance Infrastructure Improvements. THE 2016 BONDS WILL NOT BE SECURED BY OR PAYABLE FROM THE COMMUNITY FACILITIES DISTRICT SPECIAL TAX AUTHORIZED TO BE LEVIED TO FINANCE THE SCHOOL FACILITIES.

The Community Facilities District is located at the northerly end of the City of San Diego and east of Interstate 5, 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 C consist of a portion of the property within the boundaries of the Community Facilities District. Improvement Area C 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 taxable units (1,512 including all tax-exempt senior/affordable units 360 residential units) and some commercial and industrial property and school sites. Improvement Area C is expected to comprise 279 detached residential homes upon build-out.

The property within the Community Facilities District was purchased by SPIC Del Sur, LLC, a California limited liability company (“SPIC Del Sur, LLC” or the “Developer”), 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 in September, 2012. 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. SPIC Del Sur, LLC and Black Mountain Ranch LLC are both indirect wholly-owned subsidiaries of CalAtlantic Group, Inc., a Delaware corporation (“CalAtlantic”), which is a homebuilder incorporated in Delaware in 1991 with principal executive offices located in Irvine, California. CalAtlantic is a publicly traded company with its stock listed on the New York Stock Exchange under the symbol “CAA.”

CalAtlantic (formerly known as Standard Pacific Homes) is also referred to in the Appraisal Report as Standard Pacific Homes or as CalAtlantic Homes and is acting as the merchant builder of the homes being constructed and for sale to individual homeowners in Improvement Area C.

Improvement Area C. As of January 15, 2016, the Appraisal Report (as defined below) indicates that of the 279 lots, SPIC Del Sur, LLC had completed 184 homes and had closed escrow on 150 of those homes. An additional 48 homes were under construction and 47 permits pulled on vacant lots.

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

Mitigation Agreement

The Community Facilities District was formed in connection with 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”). The Second Supplement to Mitigation Agreement sets out provisions relating to the formation of the Community Facilities District and the Improvement Areas, the authorization of the levy of Special Taxes by the Community Facilities District with respect to the Community Facilities District and with respect to the Improvement Areas and the issuance of special tax bonds in order to finance School Facilities and Infrastructure Improvements. See “INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2016 BONDS,” “SECURITY FOR THE 2016 BONDS – Rates and Methods – Improvement Area C Rate and Method” and “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA C” herein.

Sources of Payment for the 2016 Bonds

The 2016 Bonds are secured by and payable from a first pledge of “Net Improvement Area C Special Tax Revenues,” of Improvement Area C, which is defined in the Indenture as proceeds of the Improvement Area C 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 C 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 C Special Taxes resulting from the delinquency in the payment of the Improvement Area C 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 Administrative Expenses (as defined in the Indenture) not to exceed \$20,295.60 for Fiscal Year 2016-17 and subject to escalation by 2% each Fiscal Year thereafter commencing in Fiscal Year 2016-17. See “SECURITY FOR THE 2016 BONDS – Improvement Area C Special Tax Fund.” “Improvement Area C Special Tax” is defined in the Indenture as the special tax authorized to be levied in the Improvement Area to finance the acquisition or construction of the City Improvements (as defined in the Second Supplement to Mitigation Agreement) pursuant to the Act, the Second Supplement to Mitigation Agreement and the Improvement Area C Rate and Method. “Improvement Area C Special Tax Revenues” are defined in the Indenture as the proceeds of the special taxes levied and received by the Community Facilities District within Improvement Area C pursuant to the Improvement Area C Rate and Method and the Delinquency Proceeds as described above.

Pursuant to the Act, the Improvement Area C Rate and Method, the Resolution of Formation (as defined herein) and the Indenture, so long as the 2016 Bonds are outstanding, the Community Facilities District will annually ascertain the parcels on which the Improvement Area C 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 C Special Taxes in accordance with the Improvement Area C 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 C Special Taxes for the parcels within Improvement Area C pursuant to the Improvement Area C Rate and Method for inclusion on the next real property tax roll. See “SECURITY FOR THE 2016 BONDS – Improvement Area C Special Taxes” herein.

The Improvement Area C Rate and Method exempts from the Improvement Area C Special Tax all property owned by the State, the federal government and local governments, as well as certain other properties, subject to certain limitations. See “SECURITY FOR THE 2016 BONDS – Rates and Methods” and “BONDOWNERS’ RISKS – Exempt Properties.”

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

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

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

Appraisal Report

An MAI appraisal report of the completed homes, homes under construction and vacant lots within Improvement Area C, dated February 1, 2016 (the “Appraisal Report”), was prepared by Stephen G. White, MAI of Fullerton, California (the “Appraiser”) in connection with the issuance of the 2016 Bonds. The purpose of the Appraisal Report was to estimate the aggregate market value as of January 15, 2016 (the “Date of Value”), by product type of the “as is” condition of the taxable property within Improvement Area C which is subject to the levy of Improvement Area C Special Taxes and as segregated into the five 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 C (subject to the lien of the Improvement Area C Special Taxes), was \$251,320,000 as of the Date of Value, which included completed sold homes (150 homes) and completed unsold homes (34 homes, including 12 model homes and 22 production homes), 48 homes under construction and 47 vacant lots.¹ See “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA C – 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 Report as of the Date of Value, result in an approximate value-to-lien ratio of 8.15:1, with respect to the Taxable Property within Improvement Area C of the Community Facilities District calculated with respect to the Series 2016 Bonds and other direct and overlapping bonded debt based on a direct and overlapping debt report, dated as of December 15, 2015, other than general obligation bonds issued by the Metropolitan Water District of Southern California, the Palomar Community College District and the Palomar Health (a local health care district, formerly known as Palomar Pomerado Health). 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 C – Direct and Overlapping Debt.” See also “BONDOWNERS’ RISKS – Appraised Values” and “ – Burden of Parity Liens, Taxes and Other Special Assessments on the

¹ SPIC Del Sur, LLC indicates that as of February 1, 2016, the property within Improvement Area C included completed-sold homes (closed sales from a merchant builder to a homeowner – 154 homes), completed-unsold homes (12 model homes and 27 production homes), homes under construction (55 homes) and vacant lots (31 lots), aggregating 279 residential homes/lots. See Table 10 in “PROPERTY OWNERSHIP AND DEVELOPMENT – SPIC Del Sur, LLC and CalAtlantic – the Ownership of the Taxable Property as of February 1, 2016.

Taxable Property” herein and APPENDIX C – “APPRAISAL REPORT” appended hereto for further information on the Appraisal Report and for limiting conditions relating to the Appraisal Report.

Market Study of Recent/Expected Economic/Housing Market Conditions

A market study of recent/expected economic/housing market conditions (the “Market Study”) with respect to the property within Improvement Area C of the Community Facilities District, dated January 29, 2016 (revised on February 8, 2016) (the “Market Study”), was prepared by Empire Economics, Inc., Capistrano Beach, California (the “Market Consultant”), in connection with the issuance of the 2016 Bonds. The Market Study presents macroeconomic factors, microeconomic factors, characteristics of the currently active projects in Improvement Area C and estimated absorption of the remaining homes in Improvement Area C. The Market Study estimates that all homes within Improvement Area C are estimated to be built and occupied by early 2017. See “COMMUNITY FACILITIES DISTRICT NO 15 (DEL SUR EAST) IMPROVEMENT AREA C – Market Study” and “APPENDIX D – Market Study of Recent/Expected Economic/Housing Market Conditions.”

Tax Exemption

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the 2016 Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the 2016 Bonds will be exempt from State personal income taxes. See “LEGAL MATTERS – Tax Exemption” herein.

Risk Factors Associated with Purchasing the 2016 Bonds

Investment in the 2016 Bonds involves risks that may not be appropriate for some investors. See the section of this Official Statement entitled “BONDOWNERS’ RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the 2016 Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget,” “anticipate” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA C” 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 Bank, a division of ZB, National Association, Los Angeles, California, will serve as the fiscal agent for the 2016 Bonds and will perform the functions required of it under the Indenture for the payment of the principal of and interest and any premium on the 2016 Bonds and all activities related to the redemption of the 2016 Bonds. Best Best & Krieger LLP, San Diego, California, is serving as Bond Counsel to the Community Facilities District and as special counsel to the School District. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is acting as Disclosure Counsel. Stifel, Nicolaus & Company, Incorporated, Los Angeles, California, is acting as Underwriter in connection with the issuance and delivery of the 2016 Bonds. Nossaman LLP, Irvine, California, is acting as Underwriter's Counsel.

The Appraisal Report was provided by Stephen G. White, MAI of Fullerton, California. The Market Study of Recent/Expected Economic/Housing Market Conditions was provided by Empire Economics, Inc., Capistrano Beach, California. Fieldman, Rolapp & Associates, Irvine, California, acted as Financial Advisor to the School District and the Community Facilities District, and Dolinka Group, LLC, Irvine, California, acted as Special Tax Consultant, CFD Administrator and Dissemination Agent to the Community Facilities District.

Except for some Special Tax Consultant, Market Consultant and Appraiser fees paid from Improvement Area C Special Taxes, payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Special Tax Consultant, the Underwriter, Underwriter's Counsel and the Fiscal Agent is contingent upon the sale and delivery of the 2016 Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the 2016 Bonds, certain sections of the Indenture, security for the 2016 Bonds, risk factors, the Community Facilities District, Improvement Area C, 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 2016 Bonds, the Indenture, and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2016 Bonds, the Indenture, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of such documents may be obtained from the Director of Capital Facilities Funding and Planning of the Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3034. There may be a charge for copying, mailing and handling of any documents.

CONTINUING DISCLOSURE

The Community Facilities District. The Community Facilities District will covenant in the Community Facilities District Continuing Disclosure Agreement, the form of which is set forth in APPENDIX 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 2016 Bonds, to provide certain financial and operating data relating to the Community Facilities District, Improvement Area C and the 2016 Bonds by not later than January 31 in each year commencing on January 31, 2017 (the “Community Facilities District Annual Report”), and to provide notices of the occurrence of certain listed events.

The Community Facilities District Annual Report will either 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. 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.

Prior Disclosure Compliance by the Community Facilities District. The Community Facilities District is the obligated person under the Continuing Disclosure Agreement.

Prior Disclosure Compliance by the Poway Unified School District Public Financing Authority, the School District and Other Community Facilities Districts. A review of compliance with disclosure undertakings for filings required by the Poway Unified School District Public Financing Authority (the “Authority”), the School District or by other community facilities districts formed by the School District (other than the Community Facilities District), since March 15, 2011, indicates that the Authority, the School District or other community facilities districts formed by the School District may not have fully complied with their prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by the Community Facilities District, the Authority, the School District or any other community facilities district formed by the School District that the late filings were material or that the Authority, the School District or any other community facilities district formed by the School District, other than the Community Facilities District, is an obligated person under the Rule for this transaction. The review indicates that annual reports or audited financial statements filed with respect to various financings by the School District, the Authority or by another community facilities district formed by the School District, other than the Community Facilities District, were filed after the filing due date by a range of a few days to approximately one month or in some cases audited financial statements and budgets were incorporated by reference to the EMMA website in the Annual Reports filed by the School District, and in some cases information specifically to be included in an annual report was not included in the annual report filed.

Additionally, notices of rating changes were not always filed with respect to financings by the School District, Community Facilities District No. 1 of the Poway Unified School District, Community Facilities District No. 6 of the Poway Unified School District and the Authority. The School District believes that notices listing all ratings changes for existing continuing disclosure undertakings have since been filed by the applicable entities and such applicable entities are currently in compliance with their respective undertakings.

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

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 2016 Bonds, to provide certain financial and operating information by not later than April 1 and October 1 of each year, commencing October 1, 2016 (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 is no longer responsible for payment of 15% or more of the Improvement Area C Special Taxes. SPIC Del Sur, LLC is not an “obligated person” for purposes of the Rule. See APPENDIX G – “Form of SPIC Del Sur, LLC Continuing Disclosure Agreement.” SPIC Del Sur, LLC currently anticipates sale of in excess of 85% of the property within Improvement Area C of the Community Facilities District to individual homeowners during the fourth quarter of 2016 and anticipates that the initial SPIC Del Sur, LLC Semi-Annual Report due October 1, 2016 will be the only report required of it under the terms of the SPIC Del Sur, LLC Continuing Disclosure Agreement.

Filing of SPIC Del Sur, LLC Semi-Annual Reports and Notices of Material Events. 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 MSRB 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. 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.

Prior Disclosure Compliance by SPIC Del Sur, LLC. In connection with the issuance of the 2016 Bonds, an authorized officer or representative of SPIC Del Sur, LLC will execute a certificate on behalf of SPIC Del Sur, LLC containing the following representation (among others):

Except as disclosed in the next paragraph, to the Actual Knowledge of SPIC Del Sur, LLC,¹ SPIC Del Sur, LLC has not materially failed during the past five years to comply in any material respect with any previous undertaking under Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), to provide periodic continuing disclosure

¹ For purposes of the certificate signed by the SPIC Del Sur, LLC representative, the phrase “Actual Knowledge of SPIC Del Sur, LLC” means the knowledge that the individual signing on behalf of SPIC Del Sur, LLC currently has as of the date of such certificate or has obtained through (i) interviews with such current officers and responsible employees of SPIC Del Sur, LLC and its Relevant Entities (as defined in “PROPERTY OWNERSHIP AND DEVELOPMENT – SPIC Del Sur, LLC and CalAtlantic – History of Property Tax Payment; Loan Defaults; Bankruptcy”) as such representative has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in such certificate, and/or (ii) review of documents that were reasonably available to such representative and which such representative has reasonably deemed necessary for such representative to obtain knowledge of the matters set forth in such certificate. The representative has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of SPIC Del Sur, LLC’s current business and operations. SPIC Del Sur, LLC notes that CalAtlantic underwent a restructuring in 2011, which included new personnel, office closures and employee layoffs at all levels of management and staff. Individuals who are no longer employees of CalAtlantic have not been contacted. SPIC Del Sur, LLC further notes that CalAtlantic recently completed a merger with The Ryland Group, Inc., a Maryland corporation (“Ryland”), pursuant to which Ryland merged with and into CalAtlantic, with CalAtlantic being the surviving entity. Individuals who were employees and officers of Ryland and its subsidiaries prior to the merger have not been consulted or contacted (and are not expected to be responsible for SPIC Del Sur, LLC’s development of the Property, payment of its Special Taxes or compliance with the SPIC Del Sur, LLC Continuing Disclosure Agreement) and documents entered into by Ryland and its subsidiaries or related to their properties and projects have not been reviewed.

reports or notices of material events with respect to any community facilities districts or assessment districts in California.

SPIC Del Sur, LLC has indicated that it is not aware of any failures by SPIC Del Sur, LLC to comply in any material respect with an undertaking to provide annual or semi-annual reports or notices of material events during the previous five years with respect to community facilities districts and assessment districts in California. SPIC Del Sur, LLC notes the following with respect to CalAtlantic's compliance with undertakings by its southern California divisions to provide annual or semi-annual reports or notices of material events during the previous five years with respect to community facilities districts and assessment districts in southern California. Identification of the below described events does not constitute a representation by SPIC Del Sur, LLC that any such events were material. On September 30, 2013, CalAtlantic 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, CalAtlantic 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 securing the 2006 Bonds. Pursuant to the terms of the 2006 Disclosure Agreement, CalAtlantic should have filed a Notice to Repositories of Termination of Reporting Obligations (the "Notice") rather than a Semi-Annual Report. CalAtlantic failed to file a Semi-Annual Report or Notice prior to the April 1, 2014 Report Date. On May 22, 2014, CalAtlantic filed the Notice and CalAtlantic has no further obligations under the 2006 Disclosure Agreement.

INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2016 BONDS

Proceeds of the 2016 Bonds will be used to finance 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.

Proceeds of the 2016 Bonds deposited into the Improvement Fund 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. The Infrastructure Improvements for which the obligation is owed to Black Mountain Ranch include a road widening project which is substantially complete and undergoing review by the City prior to City authorization of payment to Black Mountain Ranch and include other projects to be built by the City for which the City has authorized payment to Black Mountain Ranch LLC in accordance with the Joint Community Facilities Agreement.

ESTIMATED SOURCES AND USES OF FUNDS

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

SOURCES

Principal Amount of 2016 Bonds	\$15,000,000.00
<i>Plus:</i> Original Issue Premium	1,472,683.80
<i>Less:</i> Underwriter's Discount	<u>(217,500.00)</u>
<i>Total Sources</i>	\$16,255,183.80

USES

Deposit into Improvement Fund ⁽¹⁾	\$14,810,237.26
Deposit into Reserve Fund	1,244,946.54
Deposit into Costs of Issuance Fund ⁽²⁾	<u>200,000.00</u>
<i>Total Uses</i>	\$16,255,183.80

⁽¹⁾ See "SECURITY FOR THE 2016 BONDS – Improvement Fund" below.

⁽²⁾ Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the cost of printing the preliminary and final Official Statements, the cost of the Appraisal Report, the Market 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 2016 BONDS

Authority for Issuance

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

General Provisions

The 2016 Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each March 1 and September 1, commencing on September 1, 2016 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2016 Bonds will be issued in fully-registered form in denominations of \$5,000 each or any integral multiple thereof and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the 2016 Bonds. Ownership interests in the 2016 Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof within a single maturity. So long as the 2016 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2016 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2016 Bonds in accordance with the procedures adopted by DTC. See “THE 2016 BONDS – Book-Entry and DTC.”

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

Interest on the 2016 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed by first-class mail 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 2016 Bonds by wire transfer in immediately available funds (i) to the DTC (so long as the 2016 Bonds are in book-entry form), or (ii) to an account in the United States of America designated by such Owner. Such instructions shall continue in effect until revoked in writing, or until such 2016 Bonds are transferred to a new Owner. The principal of the 2016 Bonds and any premium on the 2016 Bonds due upon the redemption thereof are payable by check in lawful money of the United States of America upon presentation and surrender of the 2016 Bonds at maturity or the earlier redemption thereof at the Principal Corporate Trust Office of the Fiscal Agent (currently in Los Angeles, California).

Debt Service Schedule

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

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

Scheduled Annual Debt Service on 2016 Bonds

Year Ending September 1	Principal	Interest	Total Debt Service
2016	–	\$260,863.13	\$260,863.13
2017	\$60,000	680,512.50	740,512.50
2018	75,000	679,312.50	754,312.50
2019	90,000	677,812.50	767,812.50
2020	110,000	675,112.50	785,112.50
2021	130,000	671,812.50	801,812.50
2022	150,000	666,612.50	816,612.50
2023	170,000	660,612.50	830,612.50
2024	195,000	653,812.50	848,812.50
2025	220,000	646,012.50	866,012.50
2026	250,000	635,012.50	885,012.50
2027	280,000	622,512.50	902,512.50
2028	310,000	608,512.50	918,512.50
2029	345,000	593,012.50	938,012.50
2030	380,000	575,762.50	955,762.50
2031	415,000	560,562.50	975,562.50
2032	450,000	547,593.76	997,593.76
2033	485,000	532,968.76	1,017,968.76
2034	520,000	517,206.26	1,037,206.26
2035	555,000	500,306.26	1,055,306.26
2036	595,000	481,575.00	1,076,575.00
2037	640,000	460,750.00	1,100,750.00
2038	690,000	428,750.00	1,118,750.00
2039	750,000	394,250.00	1,144,250.00
2040	810,000	356,750.00	1,166,750.00
2041	875,000	316,250.00	1,191,250.00
2042	940,000	272,500.00	1,212,500.00
2043	1,010,000	225,500.00	1,235,500.00
2044	1,085,000	175,000.00	1,260,000.00
2045	1,165,000	120,750.00	1,285,750.00
2046	<u>1,250,000</u>	<u>62,500.00</u>	<u>1,312,500.00</u>
	\$15,000,000	\$15,260,500.67	\$30,260,500.67

Estimated Debt Service Coverage

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

Table 2
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area C
Debt Service Coverage from Net Special Tax Revenues

Year Ending September 1	Net Special Tax Revenues ⁽¹⁾	2016 Special Tax Bonds Debt Service	Estimated Debt Service Coverage
2016	\$476,056.81	\$260,863.13	182.49%
2017	962,781.48	740,512.50	130.02
2018	982,037.11	754,312.50	130.19
2019	1,001,677.85	767,812.50	130.46
2020	1,021,711.41	785,112.50	130.14
2021	1,042,145.63	801,812.50	129.97
2022	1,062,988.55	816,612.50	130.17
2023	1,084,248.32	830,612.50	130.54
2024	1,105,933.28	848,812.50	130.29
2025	1,128,051.95	866,012.50	130.26
2026	1,150,612.99	885,012.50	130.01
2027	1,173,625.25	902,512.50	130.04
2028	1,197,097.75	918,512.50	130.33
2029	1,221,039.71	938,012.50	130.17
2030	1,245,460.50	955,762.50	130.31
2031	1,270,369.71	975,562.50	130.22
2032	1,295,777.11	997,593.76	129.89
2033	1,321,692.65	1,017,968.76	129.84
2034	1,348,126.50	1,037,206.26	129.98
2035	1,375,089.03	1,055,306.26	130.30
2036	1,402,590.81	1,076,575.00	130.28
2037	1,430,642.63	1,100,750.00	129.97
2038	1,459,255.48	1,118,750.00	130.44
2039	1,488,440.59	1,144,250.00	130.08
2040	1,518,209.40	1,166,750.00	130.12
2041	1,548,573.59	1,191,250.00	130.00
2042	1,579,545.06	1,212,500.00	130.27
2043	1,611,135.96	1,235,500.00	130.40
2044	1,643,358.68	1,260,000.00	130.43
2045	1,676,225.86	1,285,750.00	130.37
2046	1,709,750.37	1,312,500.00	130.27
Total	\$39,534,253.03	\$30,260,500.67	

(1) Total Special Taxes levied less Administrative Expenses (escalating at 2% annually) as provided by the Dolinka Group, LLC.

Source: Dolinka Group, LLC.

Redemption

Optional Redemption. The 2016 Bonds maturing on or prior to September 1, 2026, are not subject to optional redemption before maturity. The 2016 Bonds maturing on or after September 1, 2027, are subject to redemption in whole or in part, from such maturities as are selected by the Community Facilities District, and by lot within a maturity, at the option of the Community Facilities District from any source of funds deposited into the Redemption Fund, and not otherwise allocated, on any date on or after September 1, 2026, at a redemption price equal to the principal amount of the 2016 Bonds to be redeemed, plus accrued interest to the redemption date, without premium.

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

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

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through and including March 1, 2024	103%
September 1, 2024 and March 1, 2025	102
September 1, 2025 and March 1, 2026	101
September 1, 2026 and any Interest Payment Date thereafter	100

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

Mandatory Sinking Fund Redemption. The 2016 Bonds, maturing on September 1, 2041 and September 1, 2046 are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2037 and September 1, 2042, respectively, at a redemption price equal to the principal amount of the 2016 Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedules:

Bonds Maturing on September 1, 2041

Sinking Fund Redemption Date (September 1)	Principal Amount
2037	\$640,000
2038	690,000
2039	750,000
2040	810,000
2041 (maturity)	875,000

Bonds Maturing on September 1, 2046

Sinking Fund Redemption Date (September 1)	Principal Amount
2042	\$940,000
2043	1,010,000
2044	1,085,000
2045	1,165,000
2046 (final maturity)	1,250,000

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

Purchase In Lieu of Redemption. In lieu of an optional, extraordinary mandatory or mandatory sinking fund redemption, the Community Facilities District may elect to purchase such 2016 Bonds at public or private sale at such prices as the Community Facilities District 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 2016 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 2016 Bonds appearing on the 2016 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 2016 Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for redemption of such 2016 Bonds or the cessation of interest on the date fixed for redemption.

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 2016 Bonds to be redeemed, and in the case of 2016 Bonds to be redeemed in part, the respective principal portions to be redeemed; *provided, however*, that whenever any call includes all 2016 Bonds of a maturity, the numbers of the 2016 Bonds of such maturity need not be stated; (d) state that such 2016 Bonds must be surrendered at the principal corporate trust office of the Fiscal Agent; (e) state that further interest on the 2016 Bonds will not accrue from and after the designated redemption date; (f) state the date of the issue of the 2016 Bonds as originally issued; (g) state the rate of interest borne by each 2016 Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the 2016 Bonds being redeemed as the Community Facilities District shall direct.

Conditional Notice of Optional Redemption. Any notice of optional redemption of the 2016 Bonds delivered in accordance with the Indenture may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the Community Facilities District shall not be required to redeem such 2016 Bonds and the redemption shall not be made and the Fiscal Agent shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

Right to Rescind. The Community Facilities District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the 2016 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Bond Service Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the 2016 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Effect of Redemption. When notice of redemption has been given substantially as provided for in the Indenture, and when the amount necessary for the redemption of the 2016 Bonds called for redemption has been set aside for that purpose in the Redemption Fund as to 2016 Bonds subject to optional redemption or the 2016 Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said 2016 Bonds at the place specified in the notice of redemption, said 2016 Bonds shall be redeemed and paid at the redemption price out of the applicable Redemption Fund and no interest will accrue on such 2016 Bonds or portions of 2016 Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such 2016 Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such 2016 Bonds or portions of 2016 Bonds only to said Redemption Fund.

Registration, Transfer and Exchange

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

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

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

Book-Entry and DTC

DTC will act as securities depository for the 2016 Bonds. The 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2016 Bond certificate will be issued for each maturity of the 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX I – "Book-Entry System."

SECURITY FOR THE 2016 BONDS

General

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

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

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

Because the Improvement Area C Special Tax levy is limited to the maximum Improvement Area C Special Tax rates set forth in the Improvement Area C Rate and Method, no assurance can

be given that, in the event of Improvement Area C Special Tax delinquencies, the receipt of Improvement Area C Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the 2016 Bonds. The Improvement Area C Special Taxes levied pursuant to the Improvement Area C Rate and Method are not available to pay principal of or interest on any bonds issued with respect to Improvement Area A, Improvement Area B 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 2016 Bonds.

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

THE 2016 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2016 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE 2016 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN) OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2016 BONDS. OTHER THAN THE IMPROVEMENT AREA C SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA C RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2016 BONDS. THE 2016 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE IMPROVEMENT AREA C SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA C RATE AND METHOD, AS 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 taxable units (1,512 including all tax exempt senior/affordable units) were 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 C Rate and Method” below. As indicated above, Improvement Area C relates to approximately 279 lots under development within the boundaries of Improvement Area C of the Community Facilities District. As of the Date of Value, approximately 150 of the 279 homes proposed to

be constructed and which will be subject to the Improvement Area C 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 C. 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 C 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 C approved the Improvement Area C Rate and Method on December 17, 2012.

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

Improvement Area C Rate and Method. The Improvement Area C Rate and Method provides the means by which the Board of Education may annually levy the Improvement Area C Special Taxes within Improvement Area C up to the applicable Maximum Special Tax to pay for Infrastructure Improvements. The 2016 Bonds, when issued, will fund a portion of the costs of the Infrastructure Improvements and will be secured by any annual Improvement Area C Special Taxes levied pursuant to the Improvement Area C Rate and Method. The Improvement Area C Rate and Method provides that the Annual Special Tax shall be levied for a term of 33 Fiscal Years after the issuance of the 2016 Bonds, but in no event later than Fiscal Year 2055-56. Upon issuance of the 2016 Bonds, the terms of the Improvement Area C Rate and Method allow the levy of the Improvement Area C Special Tax through Fiscal Year 2048-49. A copy of the Improvement Area C Rate and Method is included in Appendix B hereto.

Minimum Annual Special Tax Requirement. Annually, at the time of levying the Improvement Area C Special Tax for Improvement Area C, 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 C Rate and Method);
- (ii) the Administrative Expenses of Improvement Area C;
- (iii) the costs associated with the release of funds from an escrow account(s) established in association with the 2016 Bonds;
- (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the 2016 Bonds; *less*
- (v) any amount(s) available to pay debt service or other periodic costs on the 2016 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 Improvement Area C 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 C Rate and Method declares that for each Fiscal Year, all Assessor's Parcels within Improvement Area C shall be classified as Developed Property, Undeveloped Property or Exempt Property and shall be subject to Improvement Area C Special Taxes in accordance with the Improvement Area C 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 Property (as defined below) pursuant to the Improvement Area C 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 homeowners' 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 67.45 Acres.

Maximum Special Tax. The Maximum Special Tax is defined in the Improvement Area C Rate and Method as the maximum Special Tax determined in accordance with Section C of the Improvement Area C Rate and Method that can be levied by Improvement Area C 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 C, the Assigned Annual Special Tax is greater than the amount determined by application of the Backup Annual Special Tax.

In Fiscal Year 2016-17, the average Assigned Annual Special Tax is \$3,523.57. In Fiscal Year 2016-17, the Assigned Annual Special Tax is \$15,744.32 per acre for Undeveloped Property. 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 C 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 3A” 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 C Special Taxes. Subsequent to the issuance of the 2016 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 C 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 C 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 March 1, 2016, there have been no prepayments and there will be not prepayments of Special Taxes allowed with respect to parcels within Improvement Area C until Closing.

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 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 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 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, as determined pursuant to Section D of the Community Facilities District Rate and Method prior to the time a building permit is issued relating to detached units, attached units, affordable units, senior citizen units and commercial/industrial property, if applicable.

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 C 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 C Special Tax Levy

\$495,954.46 of Improvement Area C Special Taxes were levied on 145 parcels within Improvement Area C of the Community Facilities District for Fiscal Year 2015-16 and \$983,077.08 of Improvement Area C Special Taxes are estimated to be levied on all 279 parcels within Improvement Area C of the Community Facilities District for Fiscal Year 2016-17. All of the foregoing Improvement Area C Special Taxes in Fiscal Year 2015-16 will be levied on Developed Property as defined in the Improvement Area C Rate and Method. In Fiscal Year 2015-16, property currently owned by SPIC Del Sur, LLC is estimated to be responsible for approximately \$101,896.18 of the estimated Improvement Area C Special Taxes, which represents approximately 20.55% of the estimated total Improvement Area C Special Tax levy for Fiscal Year 2015-16. In Fiscal Year 2016-17, assuming no additional homes sales, property currently owned by SPIC Del Sur, LLC is estimated to be responsible for approximately \$428,357.22 of the estimated Improvement Area C Special Taxes, which represents approximately 43.57% of the estimated total Improvement Area C Special Tax levy for Fiscal Year 2016-17. The actual amounts, if any, which SPIC Del Sur, LLC is responsible for will decline to the extent that SPIC Del Sur, LLC completes and sells homes.

Tables 3A and 3B below summarize the actual Fiscal Year 2015-16 and estimated Fiscal Year 2016-17 Improvement Area C Special Tax levy to be made in accordance with the Improvement Area C Rate and Method:

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

Fiscal Year 2015-16 Special Tax Levy

Improvement Area C Special Tax Class	Unit Type	Building Square Footage	Fiscal Year 2015-16 Improvement Area C Special Tax Rate	Units Levied ⁽¹⁾	Improvement Area C Special Taxes Levied	Fiscal Year 2015-16 Levy as Percent of Total
1	Detached	< 1,550	\$2,026.22	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	0	0.00	0.00
4	Detached	1,951 – 2,150	2,467.78	0	0.00	0.00
5	Detached	2,151 – 2,350	2,575.72	0	0.00	0.00
6	Detached	2,351 – 2,550	2,762.16	17	46,956.72	9.47
7	Detached	2,551 – 2,750	2,987.84	11	32,866.46	6.63
8	Detached	2,751 – 2,950	3,095.78	21	65,011.38	13.11
9	Detached	2,951 – 3,150	3,262.58	25	81,565.00	16.45
10	Detached	3,151 – 3,350	3,385.24	15	50,778.90	10.24
11	Detached	3,351 – 3,550	3,449.02	0	0.00	0.00
12	Detached	3,551 – 3,750	3,566.76	0	0.00	0.00
13	Detached	3,751 – 3,950	3,660.00	12	43,920.00	8.86
14	Detached	3,951 – 4,150	3,817.00	0	0.00	0.00
15	Detached	> 4,150	3,974.00	44	174,856.00	35.26
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	2,026.22	0	0.00	0.00
20	Attached	1,651 – 1,800	2,131.70	0	0.00	0.00
21	Attached	> 1,800	2,217.58	0	0.00	0.00
22 ⁽²⁾	Affordable	NA	0.00	0	0.00	0.00
23 ⁽²⁾	Senior Citizen	≤ 1,400	2,034.92	0	0.00	0.00
24 ⁽²⁾	Senior Citizen	1,401 - 1,800	2,239.66	0	0.00	0.00
25 ⁽²⁾	Senior Citizen	1,801 - 2,200	2,614.20	0	0.00	0.00
26 ⁽²⁾	Senior Citizen	> 2,200	3,043.72	0	0.00	0.00
Total⁽¹⁾				145	\$495,954.46	100.00%

(1) Totals may not add due to rounding. Building information as of May 1, 2015.

(2) The Affordable and Senior Citizen Unit Types are not currently expected to be developed.

Source: Dolinka Group, LLC.

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

Estimated Fiscal Year 2016-17 Special Tax Levy

Improvement Area C Special Tax Class	Unit Type	Building Square Footage	Estimated Fiscal Year 2016-17 Improvement Area C Special Tax Rate	Units Levied⁽¹⁾	Estimated Improvement Area C Special Taxes Levied	Estimated Fiscal Year 2016-17 Levy as Percent of Total
1	Detached	< 1,550	\$2,066.74	0	\$0.00	0.00%
2	Detached	1,550 – 1,750	2,176.84	0	0.00	0.00
3	Detached	1,751 – 1,950	2,261.93	0	0.00	0.00
4	Detached	1,951 – 2,150	2,517.14	0	0.00	0.00
5	Detached	2,151 – 2,350	2,627.23	0	0.00	0.00
6	Detached	2,351 – 2,550	2,817.40	25	70,435.00	7.16
7	Detached	2,551 – 2,750	3,047.62	24	73,142.88	7.44
8	Detached	2,751 – 2,950	3,157.70	32	101,046.40	10.28
9	Detached	2,951 – 3,150	3,327.84	56	186,359.04	18.96
10	Detached	3,151 – 3,350	3,452.96	29	100,135.84	10.19
11	Detached	3,351 – 3,550	3,518.00	0	0.00	0.00
12	Detached	3,551 – 3,750	3,638.10	0	0.00	0.00
13	Detached	3,751 – 3,950	3,733.20	19	70,930.80	7.22
14	Detached	3,951 – 4,150	3,893.34	0	0.00	0.00
15	Detached	> 4,150	4,053.48	94	381,027.12	38.76
16	Attached	< 1,200	1,711.46	0	0.00	0.00
17	Attached	1,201 – 1,350	1,841.55	0	0.00	0.00
18	Attached	1,351 – 1,500	1,936.63	0	0.00	0.00
19	Attached	1,501 – 1,650	2,066.74	0	0.00	0.00
20	Attached	1,651 – 1,800	2,174.33	0	0.00	0.00
21 ⁽²⁾	Affordable	> 1,800	2,261.93	0	0.00	0.00
22 ⁽²⁾	Senior Citizen	NA	0.00	0	0.00	0.00
23 ⁽²⁾	Senior Citizen	≤ 1,400	2,075.62	0	0.00	0.00
24 ⁽²⁾	Senior Citizen	1,401 - 1,800	2,284.45	0	0.00	0.00
25 ⁽²⁾	Senior Citizen	1,801 - 2,200	2,666.48	0	0.00	0.00
26 ⁽²⁾	Detached	> 2,200	3,104.59	0	0.00	0.00
Total⁽¹⁾				279	\$983,077.08	100.00%

(1) Totals may not add due to rounding. Building information as of February 2, 2016.

(2) The Affordable and Senior Citizen Unit Types are not currently expected to be developed.

Source: Dolinka Group, LLC.

As indicated above, under the Improvement Area C Rate and Method, the Community Facilities District levies on Developed Property in an amount equal to the Improvement Area C Assigned Special Tax. A portion of the Improvement Area C 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 C 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 C 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 C 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 C 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 C Special Tax is delinquent in the payment of the Improvement Area C 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 C Special Taxes are delinquent in the payment of the Improvement Area C 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 C Special Taxes remain delinquent.

Aggregate Delinquencies. If the Community Facilities District determines that it has collected less than 95% of the Improvement Area C 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 C Special Taxes remain delinquent if the aggregate amount collected remains less than 95% of the Improvement Area C Special Taxes levied in such Fiscal Year.

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

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. See “BONDOWNERS’ RISKS – Potential Delay and Limitations in Foreclosure Proceedings.” If a judgment of foreclosure and order of sale is

obtained, the judgment creditor (the Community Facilities District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy and 20 days from the subsequent notice of sale in which to redeem the property to be sold. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made. The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price unless a lesser minimum bid price is authorized by the Owners of 75% of the principal amount of the 2016 Bonds Outstanding.

No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Improvement Area C 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 C 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 C 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 C Special Taxes levied on all property in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the 2016 Bonds and to replenish the Reserve Fund. There is, however, no assurance that the maximum Improvement Area C Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the 2016 Bonds by the Indenture. The levy of Special Taxes is subject to the maximum annual amount of Improvement Area C Special Taxes authorized by the qualified voters of Improvement Area C and the limitation imposed by Section 53321 of the Act as applied to Improvement Area C. See “SECURITY FOR THE 2016 BONDS – Improvement Area C Special Tax Levy.”

Improvement Area C Special Tax Fund

Pursuant to the Indenture, the Improvement Area C Special Tax Revenues received by the Community Facilities District, excluding only Improvement Area C Special Tax Revenues representing Prepayments, will be deposited in the Improvement Area C Special Tax Fund, which will be held by the Fiscal Agent on behalf of the Community Facilities District. Improvement Area C 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 2016 Bonds to be redeemed. Moneys in the Improvement Area C Special Tax Fund shall be held in trust by the Fiscal Agent for the benefit of the Community Facilities District and the owners of the 2016 Bonds. Pending disbursement, moneys in the Improvement Area C Special Tax Fund will be subject to a lien in favor of the Bondowners of the 2016 Bonds as established under the Indenture.

Disbursements. Moneys in the Improvement Area C Special Tax Fund will be disbursed as needed to pay the obligations of the Community Facilities District in the following priority: (i) an amount equal to the Administrative Expense Requirement to pay Administrative Expenses; (ii) amounts required to be deposited into the applicable Accounts in the Bond Service Fund in order to pay debt service on the 2016 Bonds and any Parity Bonds on the next Interest Payment Date; (iii) amounts required to replenish the Reserve Fund to the Reserve Requirement (as defined 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 C Special Tax Fund, such moneys shall remain on deposit in the Improvement Area C 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 C 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 C Special Tax Fund to be used for the purposes thereof.

Bond Service Fund

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

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

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

Redemption Fund

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

Reserve Fund

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

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

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

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

See APPENDIX 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 C Special Taxes from the Community Facilities District from the Improvement Area C Special Tax Fund and deposit in the Administrative Expense Fund an amount to pay Administrative Expenses.

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

Improvement Fund

The Fiscal Agent will deposit a portion of the proceeds of the 2016 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 with respect to Improvement Area C.

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 2016 Bonds and will not be available for the payment of debt service on the 2016 Bonds.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Indenture and held by the Fiscal Agent will be invested by the Fiscal Agent in Permitted Investments, as directed by the Community Facilities District, that mature prior to the date on which such moneys are required to be paid out under the Indenture. In the absence of any direction from the Community Facilities District, the Fiscal Agent will invest, to the extent reasonably practicable, any such moneys in money market funds rated “AAm-1” 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.”

Payment of Rebate Obligation

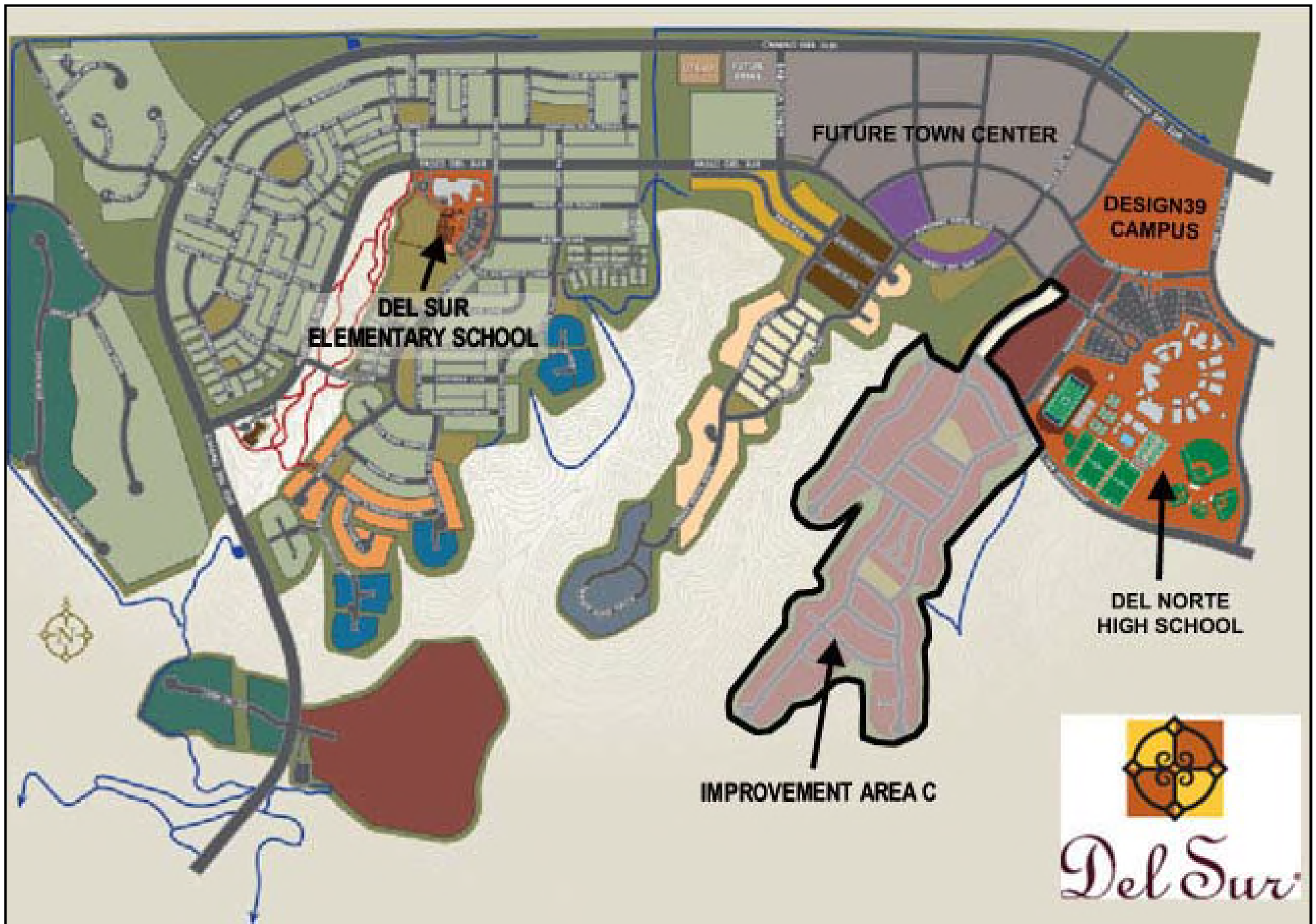
The Community Facilities District is required to calculate excess investment earnings in accordance with the requirements set forth in the Indenture. If necessary, the Community Facilities District may use amounts in the Improvement Area C Special Tax Fund, or amounts on deposit in the Administrative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

Parity Bonds for Refunding Purposes Only

Bonds issued on a parity with the 2016 Bonds (“Parity Bonds”) may be issued for refunding purposes only and subject to specific conditions including that the Community Facilities District must be in compliance with all covenants set forth in the Indenture and any Supplement then in effect and a certificate of the Community Facilities District to that effect will be filed with the Fiscal Agent. All \$15,000,000 of the authorization with respect to Improvement Area C is being issued at this time. See APPENDIX E – “Summary of Certain Provisions of the Indenture.”

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



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

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 C 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 taxable homes (1,512 including all tax-exempt senior/affordable units) upon build-out. Improvement Area C is expected to have approximately 279 for-sale detached residential homes upon build-out.

As of the Date of Value, 150 were complete homes with closed sales, 34 were completed-unsold homes (including 12 model homes and 22 production homes owned by SPIC Del Sur, LLC), 48 homes were under construction and 47 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 C 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 2016 Bonds are issued pursuant to the Act and the Indenture. In addition, as required by the Act, the Board of Education of the School District has taken the following actions with respect to establishing the Community Facilities District, Improvement Area C and authorizing issuance of the 2016 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 C Rate and Method will finance Infrastructure Improvements. See "INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2016 BONDS."

Resolution of Formation: Immediately following a noticed public hearing on December 17, 2012, the Board of Education adopted Resolution No. 30-2013 (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 \$15,000,000 in bonds with respect to Improvement Area C 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 C Special Tax Lien and Levy: Notice of Special Tax Lien for Improvement Area C was recorded in the real property records of San Diego County on December 27, 2012, as Document No. 2012-0818724 (the "Notice of Special Tax Lien").

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

Resolution Authorizing Issuance of the 2016 Bonds: On March 8, 2016, the Board of Education adopted Resolution No. 29-2016, approving issuance of the 2016 Bonds.

Improvement Area C Special Tax Collections

The Improvement Area C Special Tax on Developed Property authorized for the 2014-15 Fiscal Year in Improvement Area C was \$46,925.88, which was levied against 16 parcels. One of such parcels had not paid the \$1,517.54 second installment of Improvement Area C Special Taxes as of June 30, 2015. All 2014-15 delinquencies have been paid. The Improvement Area C Special Tax on Developed Property authorized for the 2015-16 Fiscal Year in Improvement Area C was \$495,954.46, which was levied against 145 parcels.

Table 4 below sets forth the Improvement Area C Special Tax collections for Fiscal Years 2014-15 and 2015-16, all of which was levied on Developed Property.

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

Improvement Area C Special Tax Collections⁽¹⁾

Subject Fiscal Year ⁽²⁾					February 2, 2016				
Fiscal Year Ending June 30	Aggregate Improvement Area C Special Tax	Total Improvement Area C Special Taxes Collected	Parcels Levied	Parcels Delinq.	Fiscal Year Amount Delinq.	Fiscal Year Delinq. Rate	Remaining Parcels Delinq.	Remaining Amount Delinq.	Remaining Delinq. Rate
2015	\$46,925.88	\$45,408.34	16	1	\$1,517.54	3.23%	0	\$0.00	0.00%
2016 ⁽³⁾	495,954.46	247,977.23	145	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 February 2, 2016.
⁽²⁾ As of June 30 of the applicable fiscal year.
⁽³⁾ Reflects First Installment delinquencies.

Source: Dolinka Group, LLC.

Property Ownership

Based on the Appraisal Report with a January 15, 2016 Date of Value, of the 279 projected homes which would be subject to the Improvement Area C Special Taxes, there were approximately 184 homes completed (150 completed-sold homes and 34 completed-unsold homes, including 12 model homes and 22 production homes). In addition, as of the Date of Value there were 48 homes under construction and 47 vacant lots. Building permits had been issued for the vacant lots as of October 2015. See Table 6B for the estimated Fiscal Year 2016-17 Special Tax liability of the 129 parcels owned by SPIC Del Sur, LLC as of the Date of Value.

Market Study of Recent/Expected Economic/Housing Market Conditions

A market study of recent/expected economic/housing market conditions (the “Market Study”) with respect to the property within Improvement Area C of the Community Facilities District, dated January 29, 2016 (revised on February 8, 2016) (the “Market Study”), was prepared by Empire Economics, Inc., Capistrano Beach, California (the “Market Consultant”), in connection with the issuance of the 2016 Bonds. The Market Study presents macroeconomic factors, microeconomic factors, characteristics of the currently active projects in Improvement Area C and estimated absorption of the remaining homes in Improvement Area C. The Market Study estimates that all homes within Improvement Area C are estimated to be built and occupied by early 2017. See “APPENDIX D – Market Study of Recent/Expected Economic/Housing Market Conditions.”

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

Appraised Property Values

The Appraisal Report with respect to Improvement Area C, dated February 1, 2016, was prepared by the Appraiser, Stephen G. White, MAI of Fullerton, California, in connection with the issuance of the 2016 Bonds. The purpose of the Appraisal Report, dated February 1, 2016, was to estimate the market value of the properties within Improvement Area C as of the Date of Value, as segregated into the five (5) different tracts of homes.

The Appraisal Report values completed homes, 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 lots within Improvement Area C (subject to the lien of the Improvement Area C Special Taxes) was at least as high as the Date of Value, concluded values set forth below:

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

Appraisal Report Market Values

Product Type Name⁽¹⁾	No. of Lots	Market Values
Carrillo		
<i>Individual Owners (Completed-Sold Homes)</i>	16	\$13,760,000
Kingston		
<i>Individual Owners (Completed-Sold Homes)</i>	10	\$16,500,000
<i>Builder Ownership (Completed-Unsold Homes)</i>	9	12,600,000
<i>Builder Ownership (Homes Under Constr.)</i>	13	10,760,000
<i>Builder Ownership (Vacant Lots)</i>	<u>18</u>	<u>12,340,000</u>
Subtotal	50	\$52,200,000
Preston		
<i>Individual Owners (Completed-Sold Homes)</i>	52	\$49,660,000
<i>Builder Ownership (Completed-Unsold Homes)</i>	8	6,480,000
<i>Builder Ownership (Homes Under Constr.)</i>	<u>18</u>	<u>10,330,000</u>
Subtotal	78	\$66,470,000
Stratford		
<i>Individual Owners (Completed-Sold Homes)</i>	45	\$39,600,000
<i>Builder Ownership (Completed-Unsold Homes)</i>	10	7,500,000
<i>Builder Ownership (Homes Under Constr.)</i>	7	3,070,000
<i>Builder Ownership (Vacant Lots)</i>	<u>10</u>	<u>3,800,000</u>
Subtotal	72	\$53,970,000
Avondale		
<i>Individual Owners (Completed-Sold Homes)</i>	27	\$37,260,000
<i>Builder Ownership (Completed-Unsold Homes)</i>	7	8,330,000
<i>Builder Ownership (Homes Under Constr.)</i>	10	8,230,000
<i>Builder Ownership (Vacant Lots)</i>	<u>19</u>	<u>11,100,000</u>
Subtotal	63	\$64,920,000
Totals:	279	\$251,320,000

⁽¹⁾ As of the Date of Value, there were 184 completed homes, including 150 owned by individual homeowners and 34 builder-owned homes. Of the 34 completed builder-owned homes, there were 22 production homes and 12 model homes, including 3 model homes in Kingston, 3 model homes in Preston, 3 model homes in Stratford and 3 model homes in Avondale.

Source: Appraisal Report.

The aggregate market value as of the Date of Value, reported in the Appraisal Report of \$251,320,000 for the property appraised results in an approximate value-to-lien ratio is 8.15 to 1 with respect to Improvement Area C, 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 2016 Bonds. The value-to-lien ratio of individual parcels will differ from the foregoing aggregate values.

See “SECURITY FOR THE 2016 BONDS – Rates and Methods,” “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA C – 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.

Neither the School District nor the Underwriter make any 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 6A and 6B below set forth value-to-lien category ranges for the 279 parcels utilizing the appraised value of \$251,320,000 as of the Date of Value, which value included 184 then completed homes valued in the Appraisal Report, the appraised value for the 48 parcels then under construction and the appraised value for 47 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. The School District used a combination of capitalized interest and the special taxes collected within the School District CFDs to pay the portion of the Installment Payments which could not 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 6A through 6C, the estimated portion of the \$40,000,000 which would be allocated to the parcels within Improvement Area C, assuming build out of the 279 residential homes and the maximum allocation of estimated special taxes levied by the Community Facilities District on the properties within Improvement Area C to the payment of the Installment Payments due under the Joint Acquisition Agreement has been included in such tables.

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

Combined Assessed Value and Value-to-Burden Ratio

Value-to-Lien Category	Number of Parcels⁽¹⁾	Principal Amount of 2016 Bonds⁽²⁾	Other Overlapping Debt⁽³⁾	Appraised Value⁽⁴⁾	Combined Value-to-Lien Burden Ratio⁽⁵⁾	Estimated Fiscal Year 2016-17 Improvement Area C Special Tax	Percentage Share of Improvement Area C Special Tax
10:1 and above	47	\$2,848,253.77	\$2,994,133.40	\$67,550,000.00	11.56:1	\$186,670.20	18.99%
7:1 to 10:1	142	7,049,526.27	7,460,298.78	128,930,000.00	8.89:1	462,015.18	47.00
5:1 to 7:1	50	2,925,982.77	3,079,447.09	34,730,000.00	5.78:1	191,764.44	19.51
3:1 to 5:1	40	2,176,237.19	2,296,269.53	20,110,000.00	4.50:1	142,627.26	14.51
3:1 and below	<u>0</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>N/A</u>	<u>0.00</u>	<u>0.00</u>
Total⁽⁶⁾	279	\$15,000,000.00	\$15,830,148.80	\$251,320,000.00	8.15:1	\$983,077.08	100.00%

⁽¹⁾ The Special Taxes shown reflect the estimated Special Taxes of Developed Property based on information provided by the City of San Diego and the Developer.

⁽²⁾ 2016 Bonds allocated based on the estimated Fiscal Year 2016-17 levy.

⁽³⁾ Other Overlapping Debt is greater than the estimated outstanding debt shown in Table 7 in “ – Direct and Overlapping Debt” below because the overlapping debt for Improvement Area C is apportioned based the Fiscal Year 2016-17 special tax levy and Table 7 is based on the Fiscal Year 2015-16 special tax levy.

⁽⁴⁾ Source: Appraisal Report.

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

⁽⁶⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

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

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

Ownership ⁽¹⁾	Number of Parcels	Total Appraised Value ⁽²⁾	Estimated Fiscal Year 2016-17 Assigned Annual Special Tax Levy	Percentage of Fiscal Year 2016-17 Levy	Principal Amount of 2016 Bonds ⁽³⁾	Other Overlapping Debt ⁽⁴⁾	Value-to-Lien ⁽⁵⁾
Individual Homeowners	150	\$156,780,000.00	\$506,913.90	51.56%	\$7,734,600.53	\$8,173,530.86	9.86:1
SPIC Del Sur							
<i>Avondale</i>							
Complete Unsold	7	\$8,330,000.00	\$28,054.08	2.85%	\$428,055.14	\$449,845.92	9.49:1
Under Construction (80% Complete)	6	5,010,000.00	23,680.32	2.41	361,319.38	379,904.24	6.76:1
Under Construction (70% Complete)	4	3,220,000.00	15,893.64	1.62	242,508.55	254,925.57	6.47:1
Vacant	<u>19</u>	<u>11,100,000.00</u>	<u>75,735.00</u>	<u>7.70</u>	<u>1,155,580.80</u>	<u>1,214,622.64</u>	<u>4.68:1</u>
<i>Avondale Subtotal</i>	<i>36</i>	<i>\$27,660,000.00</i>	<i>\$143,363.04</i>	<i>14.58%</i>	<i>\$2,187,463.88</i>	<i>\$2,299,298.37</i>	<i>6.16:1</i>
<i>Stratford</i>							
Complete Unsold	10	\$7,500,000.00	\$30,906.42	3.14%	\$471,576.76	\$500,380.60	7.72:1
Under Construction (35% Complete)	3	1,350,000.00	9,703.30	0.99	148,055.02	156,805.57	4.43:1
Under Construction (25% Complete)	4	1,720,000.00	12,520.70	1.27	191,043.51	202,605.32	4.37:1
Vacant	<u>10</u>	<u>3,800,000.00</u>	<u>30,856.42</u>	<u>3.14</u>	<u>470,813.85</u>	<u>499,603.60</u>	<u>3.92:1</u>
<i>Stratford Subtotal</i>	<i>27</i>	<i>\$14,370,000.00</i>	<i>\$83,986.84</i>	<i>8.54%</i>	<i>\$1,281,489.14</i>	<i>\$1,359,395.09</i>	<i>5.44:1</i>
<i>Kingston</i>							
Complete Unsold	9	\$12,600,000.00	\$36,481.32	3.71%	\$556,639.77	\$584,761.06	11.04:1
Under Construction (90% Complete)	3	3,120,000.00	12,160.44	1.24	185,546.59	194,920.35	8.20:1
Under Construction (30% Complete)	4	3,200,000.00	16,213.92	1.65	247,395.45	259,893.80	6.31:1
Under Construction (15% Complete)	6	4,440,000.00	24,320.88	2.47	371,093.18	389,840.71	5.83:1
Vacant	<u>18</u>	<u>12,340,000.00</u>	<u>72,962.64</u>	<u>7.42</u>	<u>1,113,279.54</u>	<u>1,169,522.12</u>	<u>5.41:1</u>
<i>Kingston Subtotal</i>	<i>40</i>	<i>\$35,700,000.00</i>	<i>\$162,139.20</i>	<i>16.49%</i>	<i>\$2,473,954.53</i>	<i>\$2,598,938.04</i>	<i>7.04:1</i>
<i>Preston</i>							
Complete Unsold	8	\$6,480,000.00	\$26,702.82	2.72%	\$407,437.33	\$430,982.95	7.73:1
Under Construction (95% Complete)	5	3,175,000.00	16,594.18	1.69	253,197.54	267,889.50	6.09:1
Under Construction (70% Complete)	5	2,875,000.00	16,424.04	1.67	250,601.51	265,250.19	5.57:1
Under Construction (50% Complete)	<u>8</u>	<u>4,280,000.00</u>	<u>26,953.06</u>	<u>2.74</u>	<u>411,255.54</u>	<u>434,863.80</u>	<u>5.06:1</u>
<i>Preston Subtotal</i>	<i>26</i>	<i>\$16,810,000.00</i>	<i>\$86,674.10</i>	<i>8.82%</i>	<i>\$1,322,491.93</i>	<i>\$1,398,986.45</i>	<i>6.18:1</i>
SPIC Del Sur Subtotal⁽⁶⁾	129	\$94,540,000	\$476,163.18	48.44%	\$7,265,399.47	\$7,656,617.94	6.19:1
Grand Total⁽⁶⁾	279	\$251,320,000.00	\$983,077.08	100.00%	\$15,000,000.00	\$15,830,148.80	8.15:1

(1) Ownership status based on the Appraisal Report Date of Value. As of March 29, 2016, 176 homes were owned by individual homeowners, resulting in individual homeowners being responsible for 61.14% of the projected Fiscal Year 2016-17 Special Tax levy.

(2) Source: Appraisal Report.

(3) 2016 Bonds allocated based on the estimated Fiscal Year 2016-17 levy.

(4) Other Overlapping Debt is greater than the estimated outstanding debt shown in Table 7 in “ – Direct and Overlapping Debt” below because the overlapping debt for Improvement Area C is apportioned based the Fiscal Year 2016-17 special tax levy and Table 7 is based on the Fiscal Year 2015-16 special tax levy.

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

(6) Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Direct and Overlapping Debt

Table 7 below sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied within Improvement Area C, prepared by National Tax Data, Inc., and prepared during December 15, 2015 (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 C 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 C 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 C. 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 C 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 7
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area C

Detailed Direct and Overlapping Debt
as of December 15, 2015

I. Assessed Value

2015-16 Secured Roll Assessed Value \$34,616,112

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	967,476	\$4,245,040,978.06	0.00814%	279	\$345,419.12
Voter Approved Debt	VOTER	967,397	509,630,033.30	0.00177%	279	9,043.53
County of San Diego Vector Control, Zone A	VECTOR	535,748	1,505,352.90	0.05560%	279	837.00
County of San Diego Vector Disease Control	VECTOR	953,263	4,544,409.48	0.00894%	279	406.12
Metropolitan Water District of Southern California Standby Charge	STANDBY	359,122	4,388,421.84	0.07311%	279	3,208.50
Palomar Pomerado Health GOB 2004	GOB	190,240	16,095,163.42	0.05044%	279	8,117.65
Poway Unified School District CFD No. 15	CFD	449	1,367,050.42	33.80755%	145	462,166.26
Poway Unified School District CFD No. 15, Impv Area C	CFD	294	495,954.46	100.00000%	145	495,954.46
San Diego County Water Authority Standby Charge	STANDBY	365,544	3,840,656.94	0.07264%	279	2,790.00
2015-16 TOTAL PROPERTY TAX LIABILITY						\$1,327,942.64
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2015-16 ASSESSED VALUATION						3.84%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 15	CFD	\$40,000,000	\$40,000,000	33.80755%	145	\$13,523,020 ⁽²⁾
Poway Unified School District CFD No. 15, Impv Area C	CFD	-0-	-0-	100.00000%	145	-0-
TOTAL LAND SECURED BOND INDEBTEDNESS ⁽¹⁾						\$13,523,020
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS ⁽¹⁾						\$13,523,020

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$110,420,000	0.00141%	279	\$1,559
Palomar Community College District GOB 2006	GOB	554,998,901	515,273,251	0.03400	279	175,176
Palomar Pomerado Health GOB 2004	GOB	495,999,997	464,510,126	0.04986	279	231,626
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS ⁽¹⁾						\$408,362
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS ⁽¹⁾						\$408,362
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$13,931,381.64

⁽¹⁾ Does not include PACE program liens due to the variable nature of each lien.

⁽²⁾ Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

Source: National Tax Data, Inc.

Abbreviation Key

CFD – Community Facilities District

GOB - General Obligation Bond

PROP13 – Proposition 13

STANDBY – Water Standby Charge

VECTOR – For protection of public health from vector related problems such as rats, flies, mosquitoes and fire ants

Table 8 below sets forth Fiscal Year 2015-16 overall tax rates estimated to be applicable to a Detached 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 C

Fiscal Year 2015-16 Tax Rates
(Single Family Detached Unit Containing 2,817 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value⁽¹⁾ \$769,900

Ad Valorem Property Taxes	Percent of Total AV	Amount
General Purposes	1.00000%	\$7,699.00
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350%	\$180.93
Palomar Community College Debt Service	0.01769	136.20
San Diego City Zoological Exhibits	0.00500	38.50
Metropolitan Water District Debt Service	0.00350	26.95
<hr/>		
Total Ad Valorem Property Taxes	1.04969%	\$8,081.56
Assessments, Special Taxes and Parcel Charges⁽²⁾		
Poway Unified School District CFD No. 15		\$2,882.56
Poway Unified School District CFD No. 15 Improvement Area C		3,095.78
MWD Water Standby Charge		11.50
San Diego County CWA Water Availability Standby Charge		10.00
County of San Diego Vector Disease Control		5.00
County of San Diego Mosquito Surveillance		3.00
<hr/>		
		\$6,007.84
Total Assessments, Special Taxes and Parcel Charges		\$14,089.40
<hr/>		
Total Property Taxes		1.83%

(1) Fiscal Year 2015-16 assessed valuation from the San Diego County Assessor's Roll for a Single Family Detached unit containing 2,817 building square feet, selected to represent the median assessed value for a Single Family Detached unit.

(2) 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 \$200 per annum. Other than the Improvement Area C Special Taxes levied with respect to the 2016 Bonds and the Community Facilities District Special Taxes, the Community Facilities District is not aware of whether the properties within Improvement Area C are subject to sewer service charges or special taxes in excess of \$200 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 C 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 C Special Taxes.

Accordingly, the debt on the property within the Community Facilities District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the ratio that exists at the time the 2016 Bonds are issued between the value of the property and the debt secured by the Improvement Area C 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 C Special Taxes when due.

Moreover, in the event of a delinquency in the payment of Improvement Area C Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of the property with delinquent Improvement Area C Special Taxes would be sufficient to pay the delinquent Improvement Area C 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.

The information in this section of the Official Statement regarding ownership of certain taxable property in Improvement Area C has been included because it is considered relevant to an informed evaluation of the 2016 Bonds. The inclusion in this Official Statement of information related to SPIC Del Sur, LLC should not be construed to suggest that the 2016 Bonds, or the Improvement Area C Special Taxes that will be used to pay the 2016 Bonds, are recourse obligations of any such entity or any other property owner in Improvement Area C. A property owner may sell or otherwise dispose of land within Improvement Area C or a development or any interest therein at any time.

The 2016 Bonds and the Improvement Area C 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 Improvement Area C 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 SPIC Del Sur, LLC or any other current or subsequent property owner. The 2016 Bonds are secured solely by the Improvement Area C Special Taxes and other amounts pledged under the Indenture. See “SECURITY FOR THE 2016 BONDS” and “BONDOWNERS RISKS.”

SPIC Del Sur, LLC and CalAtlantic

SPIC Del Sur, LLC was formed on June 19, 2003 and is an indirect wholly-owned subsidiary of CalAtlantic Group, Inc., a Delaware corporation (“CalAtlantic”), which is a homebuilder incorporated in Delaware in 1991 with principal executive offices located in Irvine, California. CalAtlantic is a publicly traded company with its stock listed on the New York Stock Exchange under the symbol “CAA.”

SPIC Del Sur, LLC, is developing the Avondale, Kingston, Preston and Stratford projects in Improvement Area C. The projects are currently being marketed under the Standard Pacific Homes brand name.

CalAtlantic is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings set forth, among other things, more information about the October 1, 2015 merger between Standard Pacific Corp., a Delaware corporation (“Standard Pacific”) and The Ryland Group, Inc., a Maryland corporation (“Ryland”) (e.g., See Standard Pacific’s Registration Statement on Form S-4 (registration no. 333-20542)) and certain data relative to the consolidated results of operations and financial position of CalAtlantic and its subsidiaries (e.g. See CalAtlantic’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the SEC on February 29, 2016) as of the dates described therein. 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 CalAtlantic. The address of such Internet web site is www.sec.gov. All documents subsequently filed by CalAtlantic pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of CalAtlantic’s annual report, quarterly reports and current reports, including any amendments, will be available from CalAtlantic’s website at www.calatlantichomes.com. These Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement.

Description of Projects. The development which constitutes SPIC Del Sur, LLC projects in Improvement Area C, together with the minimum lot sizes, estimated unit sizes and estimated base sales price range as of February 1, 2016 is set forth below.

Project Name	Minimum Lot Size (Square Feet)	Estimated Unit Size (Square Feet)⁽¹⁾	Estimated Base Sales Price Range	Total Lots	Homes Completed or under Construction
Avondale	7,200 sq. ft.	3,883 – 3,776	\$1,084,000 to \$1,178,000	63	53
Carrillo	3,800 sq. ft.	2,483 – 2,977	Built out	16	16
Kingston	7,500 sq. ft.	4,912 – 5,135	\$1,215,000 to \$1,238,000	50	32
Preston	5,000 sq. ft.	2,947 – 3,330	\$860,900 to \$917,000	78	78
Stratford	4,000 sq. ft.	2,537 – 3,020	\$820,000 to \$860,000	<u>72</u>	<u>69</u>
				279	248

⁽¹⁾ Actual square footage may vary based on options selected.

⁽²⁾ Estimated base sales prices are as of February 1, 2016 and exclude options, upgrades, lot premiums and any incentives being offered. There can be no assurances that base sales prices in the future will not differ from the base sales prices set forth in this chart.

The development summary shown above is based on SPIC Del Sur, LLC’s current plans as of February 1, 2016. These plans 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 October, 2013, with respect to the Avondale, Kingston, Preston and Stratford projects and in July 2012, with respect to the Carrillo project. Black Mountain Ranch LLC has substantially completed grading and constructing all backbone public improvements, finished lots and in-tract street, sewer, water and dry utility improvements for all of the lots in the projects. 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). SPIC Del Sur, LLC 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.

Background Information; Pesticide Studies; Prior Agricultural Use. Portions of the property within the Community Facilities District and/or adjacent properties, had been commercially farmed from the 1950s until 1988. Portions of the property were used as cattle rangeland between 1988 and 1997, and organic farming from 1997 through 2005. A Pesticide Assessment and Re-Use Plan was prepared in April 2004. In 2004 tests were conducted for pesticides, including DDT (and/or its degradation products DDE and DDD) and toxaphene. Concentrations of DDT (and/or its degradation products) and toxaphene were detected in some of the samples. A plan for on-site reuse of the affected soils that would comply with regulatory criteria and would be protective of human health was developed and implemented. The property within the Community Facilities District has received extensive environmental reviews and has acquired all of the required environmental permits from regulatory agencies that Black Mountain Ranch LLC, and SPIC Del Sur, LLC currently believe will be required to complete the development of the property within Improvement Area C owned by SPIC Del Sur, LLC as planned. All appeal periods with respect to such approvals have expired. Notwithstanding the foregoing, it is possible that future events relating to environmental issues could impact the development.

Ownership of the Taxable Property as of February 1, 2016. The table below shows the ownership of the Taxable Property within Improvement Area C of the Community Facilities District as of February 1, 2016.¹

Table 10
Poway Unified School District
Community Facilities District No. 15 (Del Sur East)
Improvement Area C

Development Status as of February 1, 2016

Project Name	Completed Homes Owned by Individual Homeowners	Completed Homes/ Standing Inventory ⁽¹⁾	Homes Under Construction	Near Finished Lots		Total
				W/Bldg. Permits	W/O Bldg. Permits	
Avondale at Del Sur	30	14	9	10	—	63
Carillo	16	—	0	—	—	16
Kingston at Del Sur	10	12	10	18	—	50
Preston at Del Sur	52	8	18	—	—	78
Stratford at Del Sur	<u>46</u>	<u>5</u>	<u>18</u>	<u>3</u>	—	<u>72</u>
Totals:	154	39	55	31	—	279

⁽¹⁾ Units not owned by individual homeowners are owned by SPIC Del Sur, LLC. Of the 39 completed homes/standing inventory, 27 are completed production homes and each project includes 3 model homes.

Source: SPIC Del Sur, LLC.

Home sales commenced in the first quarter of 2015 for the Avondale project, in the third quarter of 2013 for the Carrillo project, in the second quarter of 2015 for the Kingston project and in the fourth quarter of 2014 for the Stratford and Preston projects.

Plan of Finance. To date, SPIC Del Sur, LLC has financed its land acquisition and various site development and home construction costs related to its property in Improvement Area C through internally generated funds. SPIC Del Sur, LLC expects to use home sales, internal funding and funding under CalAtlantic’s revolving credit facility (described below) to complete its development activities in Improvement Area C. However, home sales revenue for SPIC Del Sur, LLC’s projects in Improvement Area C are not segregated and set aside for the payment of costs required to complete its activities in Improvement Area C. Home sales revenue is accumulated and used to pay costs of operations for CalAtlantic and its subsidiaries, 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 SPIC Del Sur, LLC’s activities in Improvement Area C at the discretion of CalAtlantic’s management. Notwithstanding the foregoing, SPIC Del Sur, LLC believes that it will have sufficient funds available to complete its proposed development activities in Improvement Area C in accordance with the development schedule described in this Official Statement.

¹ As of March 29, 2016, 176 homes were owned by individual homeowners.

As of December 31, 2015, CalAtlantic was party to a \$750 million unsecured revolving credit facility (the “Revolving Facility”), which matures in October 2019. The Credit Facility has an accordion feature under which the aggregate commitment may be increased up to \$1.2 billion, subject to the availability of additional bank commitments and certain other conditions. The Revolving Facility contains certain covenants and conditions which may limit the amount CalAtlantic may borrow or have outstanding at any time. As of December 31, 2015, CalAtlantic satisfied the conditions that would allow it to borrow up to \$750 million under the Revolving Facility, of which no borrowings were outstanding, but CalAtlantic had outstanding letters of credit issued under the Revolving Facility totaling \$118.9 million, leaving \$631.1 million available under the Revolving Facility to be drawn. CalAtlantic’s ability to renew the Revolving 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 CalAtlantic’s financial condition and strength.

Although SPIC Del Sur, LLC expects to have sufficient funds available to complete its development activities in Improvement Area C 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 SPIC Del Sur, LLC, CalAtlantic or any other source when needed. For example, borrowings under the Revolving Facility may not be available, and home sales revenue, which is accumulated daily for use in operations by CalAtlantic, including to fund costs of other direct and indirect subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, may be diverted to pay costs other than the costs of completing SPIC Del Sur, LLC’s activities in Improvement Area C at the discretion of CalAtlantic’s management. SPIC Del Sur, LLC, CalAtlantic, their lenders, and any of their related entities are not under any legal obligation of any kind to expend funds for the development of and construction of homes on SPIC Del Sur, LLC’s properties in Improvement Area C. Any contributions by SPIC Del Sur, LLC or CalAtlantic 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 Revolving Facility are inadequate to pay the costs to complete the planned development by SPIC Del Sur, LLC within Improvement Area C and other financing by SPIC Del Sur, LLC is not put into place, there could be a shortfall in the funds required to complete the proposed development by SPIC Del Sur, LLC in Improvement Area C and the remaining portions of the development may not be developed.

SPIC Del Sur, LLC is current on its payment of *ad valorem* property taxes and the Special Taxes for the property that it owns in Improvement Area C.

Absorption. SPIC Del Sur, LLC’s absorption projections for each of the four active projects in Improvement Area C is approximately 12 unit sales per project per quarter. Build out of the four projects is expected by the fourth quarter of 2017. 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, CalAtlantic delivered 12,633 homes in 2014 and 12,560 homes in 2015. (The forgoing home deliveries are amounts assuming Standard Pacific and Ryland had merged on January 1, 2014; the actual merger date was October 1, 2015.) The San Diego Division delivered approximately 288 homes in 2015. Recent projects under development by the San Diego Division of CalAtlantic include the following:

Site Name	Location	Estimated No. of Units at Completion
Apex at Civita	San Diego	58
Avondale	Del Sur	63
Carillo	Del Sur	68
Garretson	Del Sur	114
Harmony Grove Village	Escondido	736
Kingston	Del Sur	50
Marston	Del Sur	54
Prado	Del Sur	63
Preston	Del Sur	78
Stratford	Del Sur	72
The Estates	Del Sur	56

History of Property Tax Payment; Loan Defaults; Bankruptcy. In connection with the issuance of the 2016 Bonds, an authorized officer or representative of SPIC Del Sur, LLC will execute a certificate on behalf of SPIC Del Sur, LLC containing the following representations (among others):

- SPIC Del Sur, LLC, is an indirect wholly-owned subsidiary of CalAtlantic, a large, nation-wide company that is developing or has been involved in the development of numerous projects over an extended period of time. Due to the number of tax bills and supplemental tax bills with respect to the property within Improvement Area C, SPIC Del Sur, LLC cannot represent with assurance that neither SPIC Del Sur, LLC nor any Relevant Entity (as defined below) has ever been delinquent in the payment of *ad valorem* property taxes, special assessments or special taxes however, to the Actual Knowledge of SPIC Del Sur, LLC, (defined below), during the last five years, neither SPIC Del Sur, LLC nor any Relevant Entity has been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property included within the boundaries of a community facilities district or an assessment district in California that (a) would have caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced.

- Neither SPIC Del Sur, LLC nor to the Actual Knowledge of SPIC Del Sur, LLC, 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 (defined below) 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 proposed in the Official Statement or to pay the Special Taxes due with respect to the Property prior to delinquency.

- To the Actual Knowledge of SPIC Del Sur, LLC, SPIC Del Sur, LLC and 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 or its Relevant Entities may be adjudicated as bankrupt or discharged from any and all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their 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 (with proper service of process to SPIC Del Sur, LLC having been accomplished) or, to the Actual Knowledge of SPIC Del Sur, LLC, 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 SPIC Del Sur, LLC is threatened in writing against SPIC Del Sur, LLC or any such Relevant Entity (a) to restrain or enjoin the collection of Special Taxes or other sums pledged or to be pledged to pay the principal of and interest on the 2016 Bonds (e.g., the Reserve Fund established under the Indenture), (b) to restrain or enjoin the execution by SPIC Del Sur, LLC of the SPIC Del Sur, LLC Continuing Disclosure Agreement and performance by SPIC Del Sur, LLC of its obligations thereunder, (c) to restrain or enjoin the development of the Property as proposed in the Official Statement, (d) in any way contesting or affecting the validity of the Special Taxes, or (e) 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 to pay the Special Taxes due with respect to the Property.

For purposes of the foregoing, "Actual Knowledge of SPIC Del Sur, LLC" means the knowledge that the individual signing on behalf of SPIC Del Sur, LLC currently has as of the date of such certificate or has obtained through (i) interviews with such current officers and responsible employees of SPIC Del Sur, LLC and its Relevant Entities as such representative has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in such certificate, and/or (ii) review of documents that were reasonably available to such representative and which the representative has reasonably deemed necessary for the representative to obtain knowledge of the matters set forth in such certificate. The representative has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of SPIC Del Sur, LLC's current business and operations. SPIC Del Sur, LLC notes that CalAtlantic underwent a restructuring in 2011, which included new personnel, office closures and employee layoffs at all levels of management and staff. Individuals who are no longer employees of CalAtlantic have not been contacted. SPIC Del Sur, LLC further notes that CalAtlantic recently completed a merger with The Ryland Group, Inc., a Maryland corporation ("Ryland"), pursuant to which Ryland merged with and into CalAtlantic, with CalAtlantic being the surviving entity. Individuals who were employees and officers of Ryland and its subsidiaries prior to the merger have not been consulted or contacted (and are not expected to be responsible for SPIC Del Sur, LLC's development of the Property, payment of Special Taxes related to the Property or compliance with the SPIC Del Sur, LLC Continuing Disclosure Agreement) and documents entered into by Ryland and its subsidiaries or related to their properties and projects have not been reviewed.

For purposes of the foregoing, "Relevant Entity" means, with respect to SPIC Del Sur, LLC, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with SPIC Del Sur, LLC, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of the Improvement Area and investment decision regarding the 2016 Bonds (i.e., information relevant to (a) SPIC Del Sur, LLC's development plans with respect to the Property and ability to pay its Special Taxes on the Property prior to delinquency, or (b) such Person's assets or funds that would materially affect SPIC Del Sur, LLC's ability to develop the Property as proposed herein or to pay its Special Taxes on the Property or (c) such Person's compliance with continuing disclosure undertakings under the Rule that would materially affect SPIC Del Sur, LLC's ability to comply with its obligations under the SPIC Del Sur, LLC Continuing Disclosure Agreement. "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. For purposes hereof, the term "control" (including the terms "controlling," "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes hereof, Relevant Entities shall exclude MP CA Homes, LLC and its Relevant Entities (other than SPIC Del Sur, LLC, CalAtlantic and its direct or indirect subsidiaries).

For purposes of the foregoing, "**Property**" means the property within Improvement Area C held in the name 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 2016 Bonds. The Community Facilities District and the Underwriter caution prospective investors that this discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the 2016 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area C to pay their Improvement Area C Special Taxes and the Community Facilities District Special Taxes when due. Any such failure to pay Improvement Area C Special Taxes could result in the inability of the Community Facilities District to make full and punctual payments of debt service on the 2016 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in Improvement Area C.

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 C, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rate and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, landslides, wildfires, floods and droughts), which may result in uninsured losses. For example, in May 2014, wildfires occurred in the San Diego area, including within a graded portion of the Community Facilities District. No homes were damaged by the wildfire.

Economic Uncertainty

In recent years, there have been local economic uncertainty and volatility within the region. Unemployment rates have decreased to approximately 3.0% for the Poway area as of December 1, 2015 (not seasonally adjusted) as compared to 4.1% for calendar year 2014, approximately 4.5% for the City of San Diego (not seasonally adjusted) as compared to 6.1% for calendar year 2014 and approximately 4.7% (not seasonally adjusted) for San Diego County as compared to 6.4% for calendar year 2014. The Community Facilities District cannot predict future economic conditions or whether or to what extent economic conditions may affect the ability of homeowners to pay Improvement Area C Special Taxes or the marketability of the 2016 Bonds.

State Budget

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

Improvement Area C Special Taxes Are Not Personal Obligations

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

The 2016 Bonds Are Limited Obligations of the Community Facilities District

The Community Facilities District has no obligation to pay principal of and interest on the 2016 Bonds in the event Improvement Area C 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 C Special Tax are delinquent, nor is the Community Facilities District obligated to advance funds to pay such debt service on the 2016 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 C as of the Date of Value. 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 C should become delinquent in the payment of Improvement Area C 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 as represented by the principal amount of bonds repaid by such assessment or special tax. A value-to-lien ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are especially sensitive to economic cycles. A downturn of the economy may depress land values and hence the value-to-lien ratios. Further, the value-to-lien ratio typically cited for a bond issue is an average. Individual

parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a 1:1 ratio, the land is worth less than the debt on it.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. Such local agencies typically do not coordinate their bond issuances. Debt issuance by an entity other than the Community Facilities District can therefore dilute value-to-lien ratios. See “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA C – Direct and Overlapping Debt.”

Limited Obligation

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

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

While the Improvement Area C 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 C – Direct and Overlapping Debt” sets forth the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property. The table does not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Improvement Area C Special Tax securing the 2016 Bonds.

In general, as long as the Improvement Area C Special Tax is collected on the County tax roll, the Improvement Area C 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 C Special Taxes securing the 2016 Bonds, the Improvement Area C Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Improvement Area C 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 C 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 C 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 C 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 C and in the Community Facilities District in the Office of the San Diego County Recorder as Document No. 2012-0818724 with respect to the Improvement Area C 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 C Special Tax obligation and Community Facilities District Special Tax obligation in the purchase of a parcel of land or a home in Improvement Area C 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 C Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Improvement Area C 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.

Special Tax Delinquencies

In order to pay debt service on the 2016 Bonds, it is necessary that the Special Taxes be paid in a timely manner. Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2016 Bonds are derived, are customarily billed to the properties within the Community Facilities District, as applicable, on the regular ad valorem property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular ad valorem property tax installments. The unwillingness or inability of a property owner to pay ad valorem property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. If a substantial number of homeowners fail to pay the Special Taxes when due there could be significant special tax delinquencies.

Insufficiency of the Improvement Area C Special Tax

The principal source of payment of principal of and interest on the 2016 Bonds is the proceeds of the annual levy and collection of the Improvement Area C Special Tax against property within Improvement Area C. The annual levy of the Improvement Area C 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 C Special Tax, together with other available funds, will not be sufficient to pay debt service on the 2016 Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Improvement Area C Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Improvement Area C Special Tax are delinquent.

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

The Improvement Area C Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and application of the Improvement Area C Rate and Method. Application of the Improvement Area C 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 C. Thus, in addition to annual variations of the revenue needs from the Improvement Area C Special Tax, the following are some of the factors which might cause the levy of the Improvement Area C Special Tax on any particular Taxable Property to vary from the Improvement Area C 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 C 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 C Special Tax and delays in the collection of or inability to collect the Improvement Area C Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property.

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

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

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

Exempt Properties

Certain properties are exempt from the Improvement Area C Special Tax in accordance with the Improvement Area C Rate and Method (see “SECURITY FOR THE 2016 BONDS – Rates and Methods” herein). In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Improvement Area C Special Tax; *provided, however*, that property within Improvement Area C acquired by a public entity subsequent to adoption of the Resolution of Formation through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Improvement Area C Special Tax, will continue to be subject to the Improvement Area C 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 C Special Tax. In addition, although the Act provides that if property subject to the Improvement Area C Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Improvement Area C 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 C 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 C Special Tax.

The Act further provides that no other properties or entities are exempt from the Improvement Area C Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Depletion of Reserve Fund

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement (see “SECURITY FOR THE 2016 BONDS – Reserve Fund” herein). Funds in the Reserve Fund may be used to pay principal of and interest on the 2016 Bonds, in the event the proceeds of the levy and collection of the Improvement Area C 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 C 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 C Special Tax levy can occur as long as the proceeds that are collected from the levy of the Improvement Area C Special Tax against property within Improvement Area C, 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 C 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 C Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY FOR THE 2016 BONDS – Proceeds of Foreclosure Sales” and “BONDOWNERS’

RISKS – Bankruptcy and Foreclosure Delay” herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

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

Other laws generally affecting creditors’ rights or relating to judicial foreclosure may affect the ability to enforce payment of Improvement Area C Special Taxes or the timing of enforcement of Improvement Area C 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 C 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 C Special Taxes may take up to two or three years from initiation to the lien foreclosure sale. At an Improvement Area C 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 C 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 C 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 C 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 C Special Tax lien foreclosure proceedings, could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon foreclosure. In that event, there could be a default in payment of the principal of, and interest on, the 2016 Bonds. See “Improvement Area C Special Taxes Are Not Personal Obligations” above.

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

of Levy and 20 days from the subsequent notice of sale in which to redeem the property to be sold. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made. The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price unless a lesser minimum bid price is authorized by the Owners of 75% of the aggregate principal amount of the 2016 Bonds Outstanding.

No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent 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 Special Tax will have the same lien priority in the case of delinquency as do ad valorem property taxes.

If the Reserve Fund is depleted and delinquencies in the payment of 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 Special Taxes levied on all property in Improvement Area C in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the 2016 Bonds and to replenish the Reserve Fund. There is, however, no assurance that the maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the 2016 Bonds by Bond Indenture. The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of Improvement Area C and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District. See “SECURITY FOR THE 2016 BONDS – Special Tax Levy.”

Bankruptcy and Foreclosure Delay

The payment of Improvement Area C Special Taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent Improvement Area C Special Taxes as discussed in the section herein entitled “SECURITY FOR THE 2016 BONDS” may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a judicial foreclosure may be delayed due to congested local court calendars or procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the 2016 Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the obligation to pay the Improvement Area C 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 C 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 C Special Taxes and could result in the possibility of delinquent Improvement Area C Special Taxes not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Improvement Area C 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 C 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 C Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the 2016 Bonds and the possibility of delinquent Improvement Area C 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 C is owned by SPIC Del Sur, LLC or any other property owner, and Improvement Area C Special Taxes have been levied on such property, and such owner is the subject of bankruptcy proceedings, the payment of the Improvement Area C Special Tax and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Improvement Area C Special Tax could be extremely curtailed by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. The court upheld the priority of unpaid taxes imposed after the filing of the bankruptcy petition as "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all of the proceeds of the sale except the amount of the pre-petition taxes.

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

The Act provides that the Improvement Area C 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 C 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 C Special Tax, the amount of Improvement Area C 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 C Special Taxes depends upon whether a court were to determine that the Improvement Area C 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 C 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 C in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Owners of the 2016 Bonds should assume that the Community Facilities District will be unable to collect Special Taxes or to foreclose on any parcel within Improvement Area C owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the 2016 Bonds. Based upon the secured tax roll as of January 1, 2015, the FDIC did not own any of the property in Improvement Area C. The Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the 2016 Bonds are outstanding.

Mortgage Interests. Similarly, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent 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 Improvement Area C of the Community Facilities District becoming owned by the federal government, federal government entities or federal government sponsored entities, see “ – Exempt Properties” above.

Factors Affecting Parcel Values and Aggregate Value

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

Seismic Conditions. Improvement Area C is located in a seismically active region in Southern California. Active faults which could cause significant ground shaking over Improvement Area C 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 C. As a result, the property owners may be unable or unwilling to pay the Improvement Area C Special Taxes when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in Improvement Area C 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 C Special Taxes. Development within Improvement Area C has been built in accordance with applicable building codes, including requirements relating to seismic safety. No assurances can be given that any earthquake insurance will be obtained as to any of the improvements within Improvement Area C of the Community Facilities District.

January 17, 2014, Governor’s State of Emergency Proclamation Regarding Drought. On January 17, 2014, with California facing water shortfalls in the then driest year in recorded state history, Governor Edmund G. Brown Jr. proclaimed a State of Emergency and directed state officials to take all

necessary actions to prepare for these drought conditions. In the State of Emergency declaration, Governor Brown directed state officials to assist farmers and communities that are economically impacted by dry conditions and to ensure the State can respond if Californians face drinking water shortages. The Governor also directed state agencies to use less water and hire more firefighters and initiated a greatly expanded water conservation public awareness. In addition, the proclamation gave state water officials more flexibility to manage supply throughout California under drought conditions.

The Governor's State of Emergency Proclamation follows a series of actions the administration took to ensure that California is prepared for record dry conditions. In May 2013, Governor Brown issued an Executive Order to direct state water officials to expedite the review and processing of voluntary transfers of water and water rights. In December 2014, the Governor formed a Drought Task Force to review expected water allocations, California's preparedness for water scarcity and whether conditions merit a drought declaration.

On April 1, 2015, for the first time in state history, the Governor directed the State Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25%. California set a new "low water" mark on April 1, 2015, with its early-April snowpack measurement. The statewide electronic reading of the snowpack's water content stood at 5% of the April 1st average. April 1, 2015's content was only 1.4 inches, or 5% of the 28-inch average. The lowest previous reading since 1950 was 25% of average, so Water Year 2015 is the driest winter in California's written record. On November 13, 2015, the Governor issued an executive order which stated that if the drought conditions persist through January 2016, the Water Board shall extend until October 31, 2016, restrictions to achieve a statewide reduction in urban potable water usage, that the Water Board consider modifying existing restrictions to address use of potable and non-potable water, and that the California Public Utilities Commission be requested to take similar action with respect to investor owned utilities providing water service. On December 1, 2015, the Department of Water Resources announced an initial 2016 allocation of 10% for customers of the State Water Project. Depending upon the amount of rain and snow that reaches California this winter, the allocation maybe increased or decreased.

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

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 C 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 C, 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 C 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 C Special Tax installments.

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

No Acceleration Provisions

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

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 C pursuant to the Act, more than two-thirds of the qualified electors within the Improvement Area C, consisting of the landowners within the boundaries of Improvement Area C, authorized the Community Facilities District to incur bonded indebtedness to finance Infrastructure Improvements and approved the Improvement Area C 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 C Special Tax.

Billing of Improvement Area C 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 C 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 C 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 C 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 C Special Taxes in the future. See "SECURITY FOR THE 2016 BONDS – Proceeds of Foreclosure Sales" for a discussion of the provisions which apply and procedures which the Community Facilities District is obligated to follow in the event of delinquency in the payment of installments of Improvement Area C Special Taxes.

Inability to Collect Improvement Area C Special Taxes

In order to pay debt service on the 2016 Bonds, it is necessary that the Improvement Area C Special Tax levied against land within Improvement Area C 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 C Special Tax in order to obtain funds to pay debt service on the 2016 Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Improvement Area C Special Tax to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the 2016 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Improvement Area C Special Tax installment. Although the Act authorizes the Board of Education to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the Board of Education with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See "SECURITY FOR THE 2016 BONDS – Proceeds of Foreclosure Sales."

Right to Vote on Taxes Act

An initiative measure, Proposition 218, commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article 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 XIIC 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 XIIC 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 C Special Taxes if such reduction would interfere with the timely retirement of the 2016 Bonds.

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

The Act also establishes time limits for initiating any challenge to the validity of special taxes levied pursuant to the Act and any challenge to the validity of bonds issued pursuant to the Act. Section 53341 of the Act provides that:

“Any action or proceeding to attack, review, set aside, void, or annul the levy of a special tax or an increase in a special tax pursuant to this chapter shall be commenced within 30 days after the special tax is approved by the voters. Any appeal from a final judgment in that action or proceeding shall be perfected within 30 days after the entry of judgment.”

Section 53359 of the Act provides that:

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

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

Like its antecedents, the Initiative is likely to undergo both judicial and legislative scrutiny before its impact on Improvement Area C and the Community Facilities District and its obligations can be determined. Certain provisions of the Initiative may be examined by the courts for their constitutionality under both State and federal constitutional law. The Community Facilities District is not able to predict the outcome of any such examination.

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

The Community Facilities District covenants in the Bond Indenture that it shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the Community Facilities District receives a certificate from one or more Special Tax Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in Improvement Area C as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor’s Parcels of Developed Property in each Fiscal Year will equal at least 110% of the gross debt service on all Bonds to remain Outstanding after the reduction is approved and will not reduce the Maximum Special Tax payable from Assessor’s Parcels of Developed Property to less than 110% of Maximum Annual Debt Service, and (ii) the Legislative Body finds pursuant to the Bond Indenture that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. Any reduction in the Maximum Special Tax approved pursuant to the preceding sentence may be approved without the consent of the Owners of the Bonds.

The Community Facilities District further covenants that in the event any initiative is adopted by the qualified electors which purports to reduce the maximum authorized Special Tax below the levels authorized pursuant to the Rate and Method or to limit the power or authority of the Community Facilities District to levy Special Taxes pursuant to the Rate and Method, the Community Facilities District will, from funds available under the Bond Indenture, commence and pursue legal actions to preserve the authority and power of the Community Facilities District to levy Special Taxes pursuant to the Rate and Method.

The foregoing discussion of the Initiative and related matters should not be considered an exhaustive or authoritative treatment of the issues. The Community Facilities District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of the Initiative on the 2016 Bonds as well as the market for the 2016 Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of the Initiative.

Ballot Initiatives and Legislative Measures

The Initiative was adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County, the School District or local districts to increase revenues or to increase appropriations or on the ability of a property owner to complete the development of the property.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the 2016 Bonds or, if a secondary market exists, that such 2016 Bonds can be sold for any particular price. Although the Community Facilities District has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of credit rating for the 2016 Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS – Tax Exemption," the interest on the 2016 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2016 Bonds as a result of future acts or omissions of the Community Facilities District and the School District in violation of certain provisions of the Code and the covenants of the Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2016 Bonds, the Community Facilities District has covenanted in the Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 2016 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the 2016 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2016 Bonds were issued as a result of acts or omissions of the Community Facilities District in violation of the Code. Should such an event of taxability occur, the 2016 Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Indenture. See "THE 2016 BONDS – Redemption."

IRS Audit of Tax-Exempt Bond Issues

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

The School District received a letter from the IRS, dated February 6, 2012, in connection with the General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series B (the “SFID 2007-1 Series B Bonds”). The letter indicated that the IRS had selected the SFID 2007-1 Series B Bonds for examination. The School District also received a letter from the IRS, dated March 6, 2013, in connection with the Authority’s Lease Revenue Bonds, Series 2008 (the “2008 Lease Revenue Bonds”). The IRS asked for copies of specified documents, information and responses to specific questions. In October 2013, the IRS closed the examination with no-change to the position that interest received by the beneficial owners of the SFID 2007-1 Series B Bonds and the Authority’s 2008 Lease Revenue Bonds is excludable from gross income under Section 103 of the Code.

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2016 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners of the 2016 Bonds from realizing the full current benefit of the tax status of such interest.

The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of or marketability of, the 2016 Bonds. In recent years, legislative changes were proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Series 2016 Bonds. Prospective purchasers of the 2016 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion. As discussed in this Official Statement, under the caption “LEGAL MATTERS,” interest on the 2016 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2016 Bonds were issued as a result of future acts or omissions of the Community Facilities District in violation of its covenants in the Indenture. Should such an event of taxability occur, the 2016 Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

Backup Withholding

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

Limitations on Remedies

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

LEGAL MATTERS

Legal Opinion

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

Tax Exemption

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

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

To the extent the issue price of any maturity of the 2016 Bonds is less than the amount to be paid at maturity of such 2016 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2016 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the 2016 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2016 Bonds is the first price at which a substantial amount of such maturity of the 2016 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2016 Bonds

accrues daily over the term to maturity of such 2016 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2016 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2016 Bonds. Owners of the 2016 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2016 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2016 Bonds in the original offering to the public at the first price at which a substantial amount of such 2016 Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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

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

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

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

Although Bond Counsel has rendered an opinion that interest on the 2016 Bonds is excluded from gross income for federal income tax purposes provided the Community Facilities District continue to comply with certain requirements of the Code, the accrual or receipt of interest on the 2016 Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend

upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the 2016 Bonds.

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

Absence of Litigation

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

No General Obligation of School District or Community Facilities District

The 2016 Bonds are not general obligations of the School District or the Community Facilities District, but are limited obligations of the Community Facilities District payable solely from proceeds of the Improvement Area C Special Tax and proceeds of the 2016 Bonds, including amounts in the Reserve Fund, Improvement Area C Special Tax Fund and Bond Service Fund and investment income on funds held pursuant to the Indenture (other than as necessary to be rebated to the United States of America pursuant to Section 148(f) of the Code and any applicable regulations promulgated pursuant thereto). Any tax levied for the payment of the 2016 Bonds shall be limited to the Improvement Area C Special Taxes to be collected within Improvement Area C.

NO RATING

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

UNDERWRITING

The 2016 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated at a purchase price of \$16,255,183.80 (which represents the aggregate principal amount of the 2016 Bonds of \$15,000,000.00, plus a net original issue premium of \$1,472,683.80 and less an underwriter's discount of \$217,500.00).

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

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

In each of 2014 and 2015, the Underwriter made a contribution to the Poway Unified School District Foundation, whose mission is to provide the School District with additional resources through

donations, grants, and endowments to enhance the educational opportunities of the School District's students.

PROFESSIONAL FEES

Fees payable to certain professionals, including the Underwriter, Nossaman LLP, as Underwriter's Counsel, James F. Anderson Law Firm, A Professional Corporation, as Disclosure Counsel, Best Best & Krieger LLP, as Bond Counsel, and Zions Bank, a division of ZB, National Association, as the Fiscal Agent, are contingent upon the issuance of the 2016 Bonds. The fees of Fieldman, Rolapp & Associates, as Financial Advisor, and Dolinka Group, LLC, as Special Tax Consultant, are in part contingent upon the issuance of the 2016 Bonds. The fees of Stephen G. White, MAI, as Appraiser, and Empire Economics, Inc., as Market Consultant, are not contingent upon the issuance of the 2016 Bonds. From time to time, Disclosure Counsel represents the Underwriter on matters unrelated to the 2016 Bonds.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representatives of fact. This Official Statement is not to be construed as a contract or agreement between the Community Facilities District and the purchasers or owners of any of the 2016 Bonds.

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

**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 2016 Bonds, and the 2016 Bonds will not be payable from any of the School District's revenues or assets.

Introduction

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

General Information

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California (the "State"). The School District was established in 1962. The School District provides 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), one K-8 school, five high schools (9-12) and one continuation high school. The School District's second period report (P-2, the period from July 1 to April 15) of average daily attendance ("ADA") computed in accordance with State law for the 2013-14 academic year, was 34,450.65, for the 2014-15 academic year was 34,472.11 and for the 2015-16 academic year is estimated to be 34,490.30. The estimated population within the School District's boundaries was approximately 197,571 as of January 1, 2015. The School District reported 35,498 students enrolled at the California Basic Educational Data System ("CBEDS") for Fiscal Year 2013-14 and 35,629 students enrolled at the CBEDS during Fiscal Year 2014-15. The School District reports 35,771 students enrolled at the CBEDS during Fiscal Year 2015-16.

Administration and Enrollment

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

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

From Fiscal Year 2006-07 through Fiscal Year 2015-16 the School District’s enrollment has been stable. The demographics of the School District reflect an increasing trend in elementary school population, stable trend in middle school population and slight decrease in high school population. Experience shows that the east side of the School District is substantially built out with incidences of in-fill throughout the east side and west and north areas are experiencing developments and new families. California voters approved Proposition 13 that not only limits the tax rate on property, but gives an incentive for owners to occupy longer resulting in slower turnover of homes to new families. This impacts the east side with declining enrollment. The School District however has offsetting growth on the west side. Information concerning enrollment for these years is set forth below:

**Poway Unified School District
Student Enrollment**

<u>Fiscal Year</u>	<u>CBEDS Enrollment</u>	<u>District Average Daily Attendance</u>	<u>District Base Revenue Limit</u>
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 ⁽²⁾
2014-15	35,629	34,490	N/A ⁽²⁾
2015-16	35,771	34,732 ⁽¹⁾	N/A ⁽²⁾

⁽¹⁾ Estimated second period report (P-2, the period from July 1 to April 15).

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

Source: California Department of Education and the School District.

Labor Relations

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

**Poway Unified School District
District Employees**

Labor Organization	Approximate Number of Employees In Organization¹	Contract Expiration Date
Poway Federation of Teachers (PFT), Local 2357	1,655	6/30/16
Service Employees International Union	482	6/30/16
Poway Schools Employees Association	1,570	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 in Fiscal Year 2011-12 was \$9,946,792, in Fiscal Year 2012-13 was \$10,601,369 and in Fiscal Year 2013-14 was \$11,213,488. The School District's contribution to STRS for Fiscal Year 2014-15 was \$12,578,187. The School District's contribution to STRS for Fiscal Year 2015-16 is estimated to be \$17,087,930. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The School District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers certificated employees who elect and all classified personnel who are employed 1,000 or more hours per fiscal year. The School District's contribution to PERS in Fiscal Year 2011-12 was \$6,432,393, in Fiscal Year 2012-13 was \$7,272,505 and in Fiscal Year 2013-14 was \$7,311,483. The School District's contribution to PERS for Fiscal Year 2014-15 was \$7,908,524. The School District's contribution to PERS for Fiscal Year 2015-16 is estimated to be \$8,668,446. In order to receive PERS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in retirement benefits. The contribution rates are based on state-wide rates set by the STRS and PERS retirement boards. STRS has a substantial state-wide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the School District's share.

The School District offers post-retirement benefits for employees up to age 65. The School District's contribution for these benefits for the Fiscal Year ending June 30, 2013, was \$1,763,725, for the Fiscal Year ending June 30, 2014 was \$1,617,998 and for the Fiscal year ending June 30, 2015, was \$1,503,467. The School District's contribution for these benefits is estimated to be \$1,653,019 for Fiscal Year 2015-16. The program is operated on a pay-as-you go basis and budgets the current costs each year with an increase based on actual health and welfare increases.

Insurance

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

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

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

APPENDIX B

**RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA C 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
IMPROVEMENT AREA C 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 C ("IA C") 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 C 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 C 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 C 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 C of CFD No. 15, and reasonable costs otherwise incurred in order to carry out the authorized purposes of IA C 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 C 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 C 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 C 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 C 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 C 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 C 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 C 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 C 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 C 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 \$14,545.32 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 C 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

absolution and sole discretion for and on behalf of CFD No. 15, without notice to the owners of property within IA C for a period of time, not to exceed sixty (60) days, prior to the scheduled issuance of Bonds by IA C 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 C 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 C 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 C 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
67.45 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 C 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 C 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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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 Inflator.

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.

S:\Clients\Poway Unified SD\Finance\CFDs\CFD No. 15\Working\RMA\RMA_CFD_15_Draft_06182012.docx

APPENDIX C
APPRAISAL REPORT

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APPRAISAL REPORT

COVERING

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

DATE OF VALUE:

January 15, 2016

SUBMITTED TO:

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

Attn: Sandra G. Burgoyne
Planning Director

DATE OF REPORT:

February 1, 2016

SUBMITTED BY:

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

Stephen G. White, MAI



Real Estate Appraiser

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

February 1, 2016

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

Re: CFD No. 15, Improvement Area C
(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 C of the above-referenced Community Facilities District (CFD). The taxable properties in Improvement Area C will consist of a total of 279 dwelling units within five separate product types of detached homes that have been or will be built by Standard Pacific Homes (now known as CalAtlantic). One of the product types is built-out and the other four are nearing build-out. The 279 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>
Carrillo	16	0	0	16
Kingston	19	13	18	50
Preston	60	18	0	78
Stratford	55	7	10	72
Avondale	<u>34</u>	<u>10</u>	<u>19</u>	<u>63</u>
	184	48	47	279

The purpose of this appraisal is to estimate the aggregate market value of the as is condition of the properties within each of the five product types, reflecting the status of completed-sold homes (closed sales to homeowners), 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 May 1, 2015) and Undeveloped Property (lots without building permit as of May 1, 2015). In addition, this appraisal reflects the proposed CFD bond financing, as well as the overall tax rates of up to 1.8% reflecting the average appraised value or the current home pricing and including special taxes for this CFD and other overlapping debt.

MS. SANDRA G. BURGOYNE
 FEBRUARY 1, 2016
 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 January 15, 2016:

Product Type	No. Lots	Developed	Undeveloped	Market Value
Carrillo				
<i>Individual Owners (Completed-Sold Homes):</i>	16	\$13,760,000	\$0	\$13,760,000
Kingston				
<i>Individual Owners (Completed-Sold Homes):</i>	10	\$13,200,000	\$3,300,000	\$16,500,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	9	\$11,200,000	\$1,400,000	\$12,600,000
<i>Builder Ownership (Homes Under Construction):</i>	13	\$4,440,000	\$6,320,000	\$10,760,000
<i>Builder Ownership (Vacant Lots):</i>	<u>18</u>	<u>\$0</u>	<u>\$12,340,000</u>	<u>\$12,340,000</u>
	50	\$28,840,000	\$23,360,000	\$52,200,000
Preston				
<i>Individual Owners (Completed-Sold Homes):</i>	52	\$33,425,000	\$16,235,000	\$49,660,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	8	\$2,430,000	\$4,050,000	\$6,480,000
<i>Builder Ownership (Homes Under Construction):</i>	<u>18</u>	<u>\$0</u>	<u>\$10,330,000</u>	<u>\$10,330,000</u>
	78	\$35,855,000	\$30,615,000	\$66,470,000
Stratford				
<i>Individual Owners (Completed-Sold Homes):</i>	45	\$28,160,000	\$11,440,000	\$39,600,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	10	\$2,250,000	\$5,250,000	\$7,500,000
<i>Builder Ownership (Homes Under Construction):</i>	7	\$0	\$3,070,000	\$3,070,000
<i>Builder Ownership (Vacant Lots):</i>	<u>10</u>	<u>\$0</u>	<u>\$3,800,000</u>	<u>\$3,800,000</u>
	72	\$30,410,000	\$23,560,000	\$53,970,000
Avondale				
<i>Individual Owners (Completed-Sold Homes):</i>	27	\$37,260,000	\$0	\$37,260,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	7	\$8,330,000	\$0	\$8,330,000
<i>Builder Ownership (Homes Under Construction):</i>	10	\$0	\$8,230,000	\$8,230,000
<i>Builder Ownership (Vacant Lots):</i>	<u>19</u>	<u>\$0</u>	<u>\$11,100,000</u>	<u>\$11,100,000</u>
	63	\$45,590,000	\$19,330,000	\$64,920,000
TOTALS	279	\$154,455,000	\$96,865,000	\$251,320,000

(TWO HUNDRED FIFTY-ONE MILLION THREE HUNDRED TWENTY THOUSAND DOLLARS)

The following is the balance of this 52-page 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: 15045

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CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- I have made a 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 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 properties located within Community Facilities District No. 15, Improvement Area C (Del Sur East) of the Poway Unified School District, reflecting the proposed CFD bond financing. It is intended that this 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; analysis of all of the data to the value conclusions; and preparation of the appraisal report.

DATE OF VALUE

The date of value for this appraisal is January 15, 2016.

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, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. (The Dictionary of Real Estate Appraisal, 6th 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, 6th Edition)

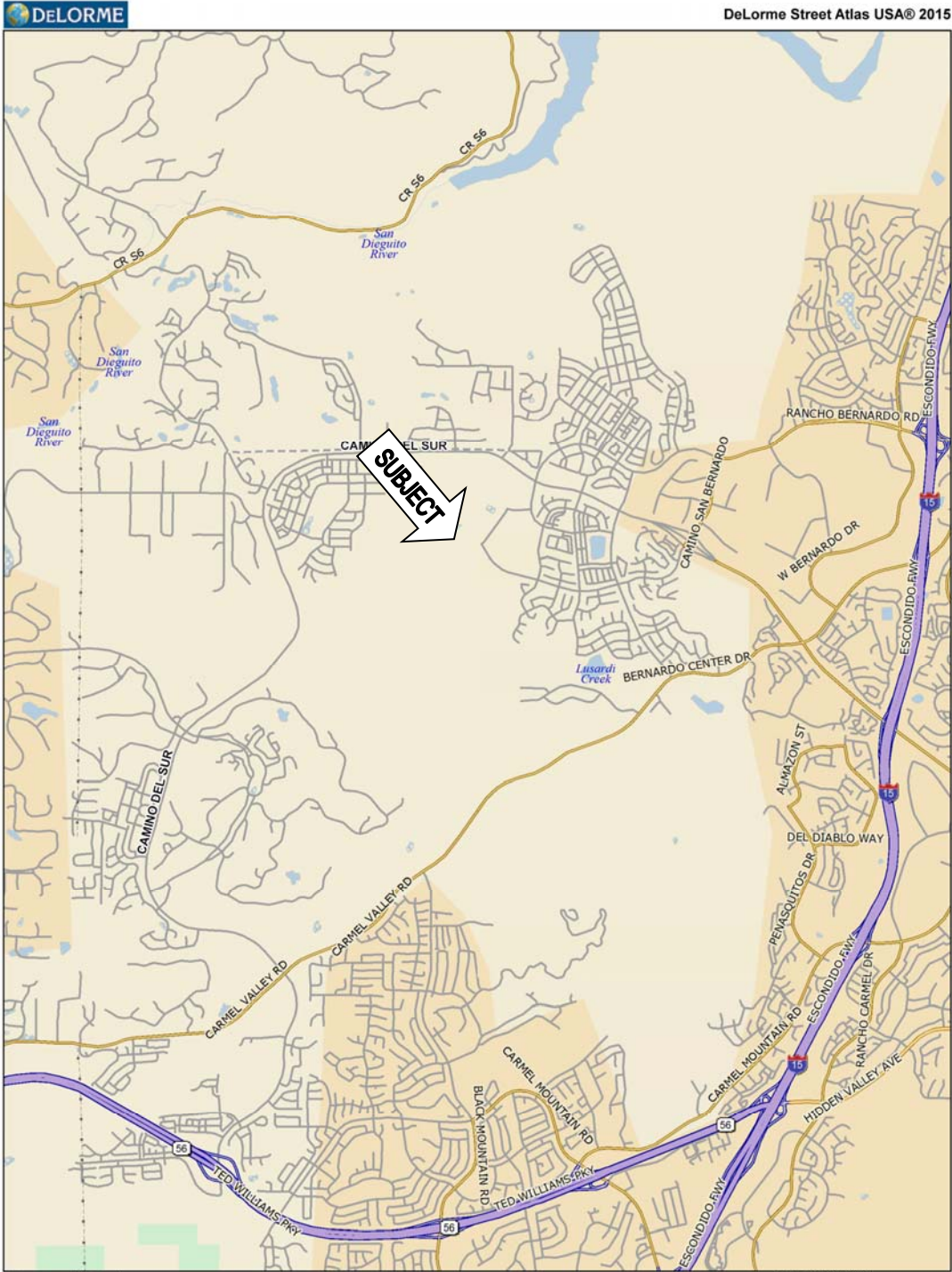
DEFINITION OF FINISHED LOT

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

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



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 Carmel Valley Rd. This location is at the northerly end of the City of San Diego and about 2½ miles west of the 15 Freeway, ±9 miles inland of the ocean and ±20 miles north of downtown San Diego. The subject properties consisting of the five product types of homes are located at the east side of Del Sur.

GENERAL AREA DESCRIPTION

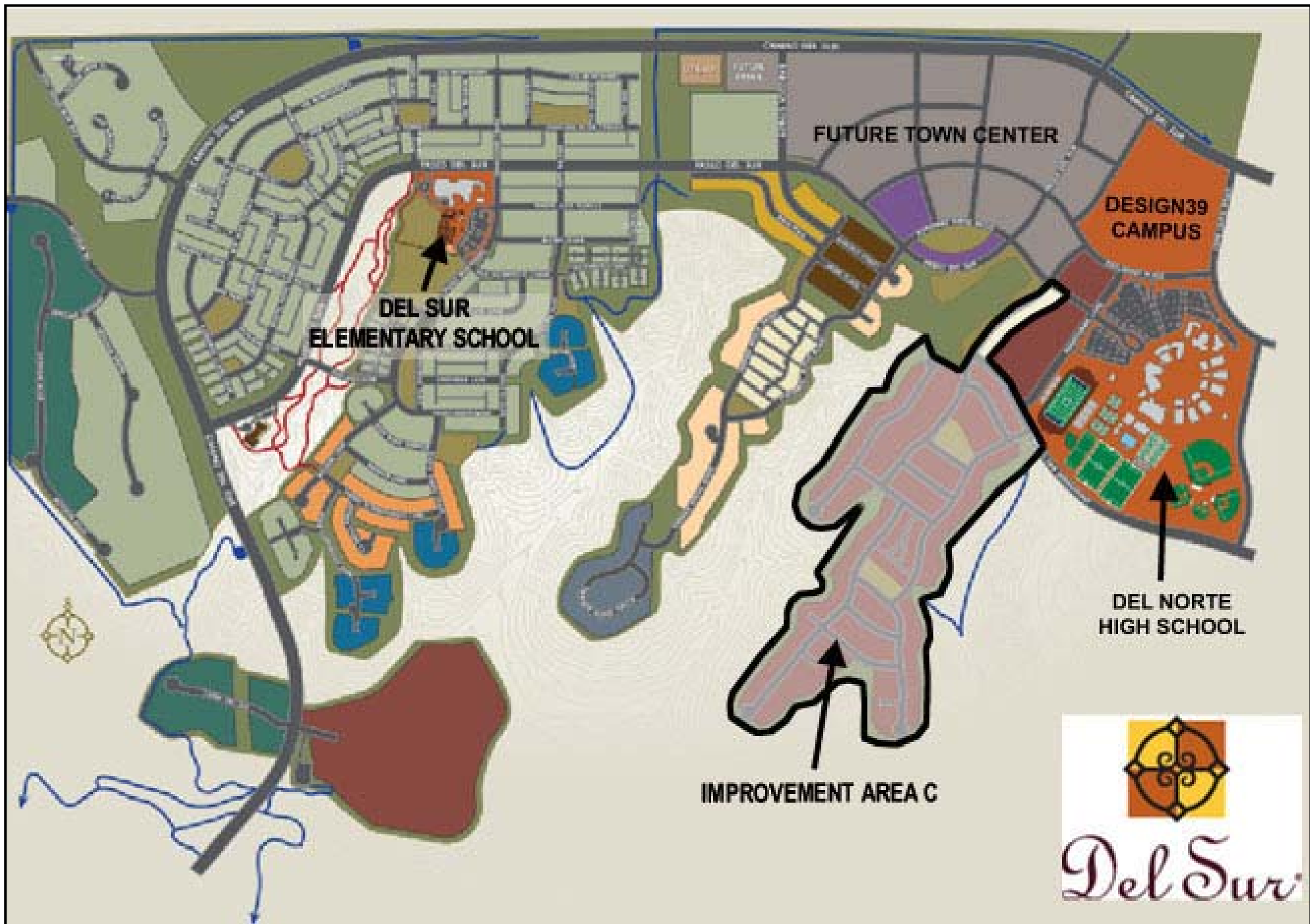
The area to the north of Del Sur is mostly a residential area that also includes much undeveloped-open space land within watercourses and sloping areas up into the hills. To the northwest is the Lakes Above Rancho Santa Fe which is a guard-gated luxury-oriented community of relatively large homes on 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 the Design39Campus (pre-K to 8), 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 was recently built-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 good schools, shopping and recreational amenities.



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 currently under construction with Target as the anchor store, and will also include an assortment of shops, restaurants and professional services. The community is well served with schools including Del Sur Elementary School, Design39Campus (pre-K to 8th grade), and Del Norte High School which is situated in both the Del Sur and 4S Ranch communities.

Amenities of the community include neighborhood parks, of which there will ultimately 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. A substantial amount of development has occurred over the last ten years and is continuing to take place at current date.

It is noted that the subject property within CFD No. 15 comprises the most easterly part of Del Sur. As previously indicated, the subject property comprises only residential land which is to be developed with five product types comprising a total of 279 dwelling units, all of which will be detached 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 Nicole Ridge Rd. extending south from Del Sur Ridge Rd., and also by Camino San Bernardino extending from the east to Nicole Ridge Rd.

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 a portion of the Preston product type which permits attached and detached homes on 3,000 s.f. minimum lots; RM-2-6 (Residential-Multiple) for the Carrillo 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 Kingston, Preston (portion), Stratford and Avondale product types which permits single dwelling units on 5,000 s.f. minimum lots.

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

More specific approvals are by the approved and recorded Map No. 15951 – Black Mountain Ranch Units 16-19 covering all of the subject properties.

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 gradually sloping plateau area from which a canyon area slopes down to the west and south from the Kingston product type and another canyon area slopes down to the east and south from the Avondale product type. In addition, all of the subject properties generally terrace gradually down to the south and southwest. Most of the Kingston and Avondale homes back to the canyon open space areas, but only a limited number of these and other product type homes have significant territorial views to the southwest, south or southeast.

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 were subsequently 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 dated in March and August 2015 by First American Title Company on the Kingston, Preston, Stratford and Avondale product types have been reviewed. Exceptions to title include covenants, development agreements, permits, school impact mitigation agreements, other agreements, and easements for public streets, sewer lines and other utilities. In addition, there is a lien of special tax for Community Facilities District No. 15 (Del Sur East) Improvements Area C, recorded December 27, 2012.

It is noted that all of these exceptions are fairly typical for a community such as Del Sur, including the various easements that are fairly typical on tract maps. Thus, it has been assumed that none of these exceptions to title would have a negative impact on the use or valuation of the subject properties.

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

HIGHEST AND BEST USE, Continuing

entitlements represented by the recorded tract map. 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.

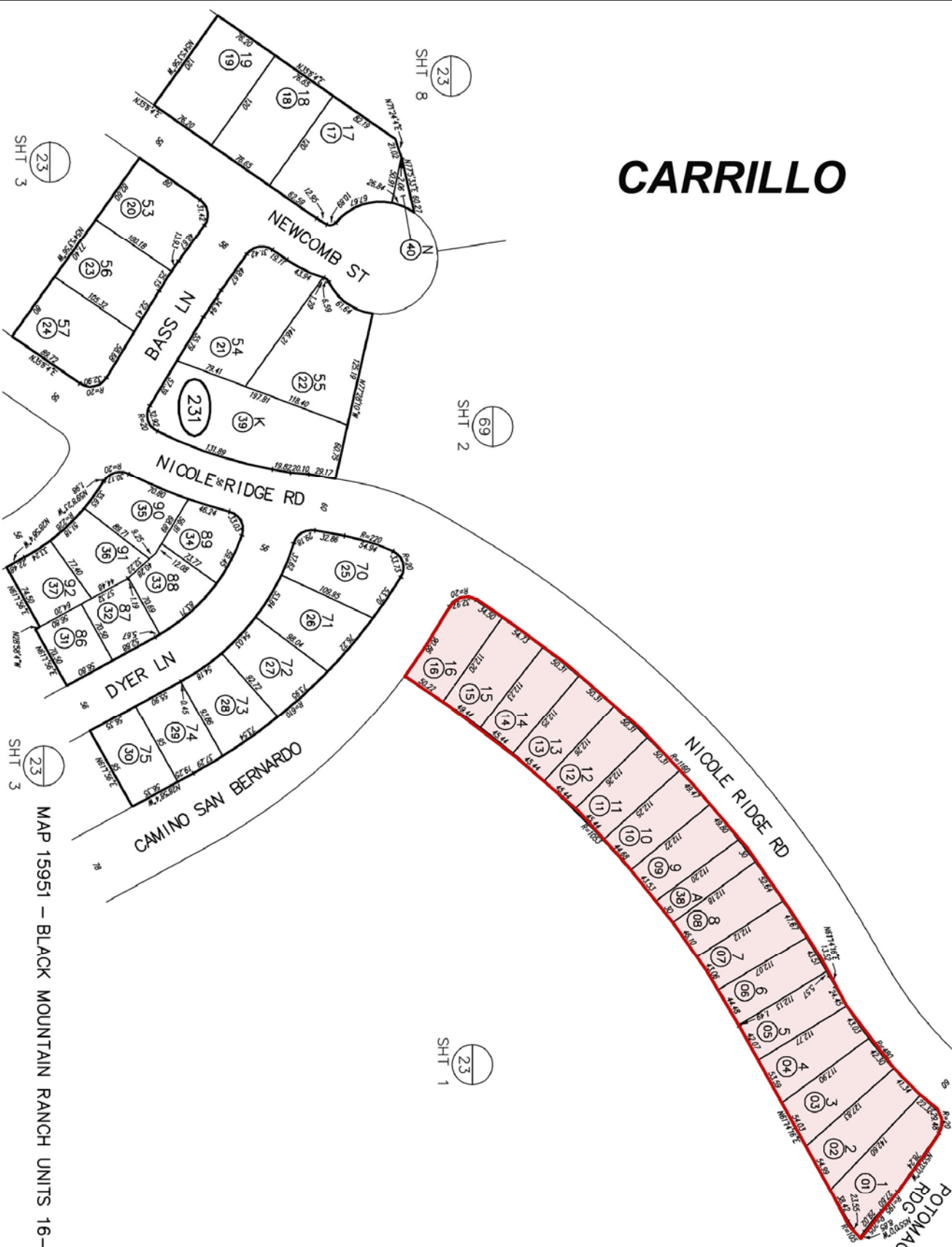
In terms of the financial feasibility and maximum productivity, it is noted that at the appropriate price points there has been good recent demand and sales activity in the four active subject product types of Kingston, Preston, Stratford and Avondale. The sales activity for these four product types is indicated by the total of 134 closed sales from April through the January 15, 2016 date of value, plus 28 pending sales as of the January 15, 2016.

Additional support to the financial feasibility is provided by Market Study of Recent/Expected Economic/Housing Market Conditions completed by Empire Economics, Inc. and dated January 29, 2016. This Study indicates that the current level of employment in San Diego County surpassed its prior peak in late 2013, and is now above its prior peak by +77,000, or +5.8%. With regards to unemployment rates, San Diego County's is 4.8%, while the Poway area is only 3.1%. In addition, regarding the San Diego County housing outlook, the strong level of employment growth is countervailing the extraordinary short-term factors, resulting in the number of new single-family homes increasing from its recessionary low of about 1,800 in 2009 to some 3,000 in 2015, and then returning to its long-term average of 6,000 during the next several years.

The subject Improvement Area C has a very desirable location due to its proximity to the San Diego-La Jolla's robust economic base. This expected employment growth will continue to generate a strong demand for its housing products. Favorable factors for the remaining homes in Improvement Area C include San Diego County attaining a new peak level of employment since 2013, the Poway area having a very low unemployment rate, the close proximity to the San Diego urban core, favorable mortgage rate levels, and the projects in Improvement Area C closing escrow on 149 homes during 2015. Empire Economics, Inc. projects the absorption of most of the remaining 130 homes within Improvement Area C to close escrow by December 2016, and all of the homes by early 2017.

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 remaining vacant lots.

CARRILLO



MAP 15951 - BLACK MOUNTAIN RANCH UNITS 16-19

SHT 3

SHT 3

SHT 8

SHT 2

SHT 1

Source: 11/21/15, by BAC from 678-230

CHANGES			
BLK	FROM AYN	NEW AYN	IN CUT NO
231		01 MAR 00	14 64

SAN DIEGO COUNTY ASSESSOR'S MAP
 678-23
 SHT 2 OF 8
 1" = 100'

CARRILLO

PROPERTY DATA

Location

This product type is located along the southeast side of Nicole Ridge Rd. between Potomac Ridge Rd. and Camino San Bernardino. (Note: This was an extension of the main part of the Carrillo product type located between Tanner Ridge Rd. and Potomac Ridge Rd. southwest of Lesar Pl., and not within Improvement Area C.)

Record Owner/Ownership History

As of the January 15, 2016 date of value, individual homeowners owned all 16 of the completed homes.

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 product type, and the sale of the 16 subject lots closed on February 5, 2014 at the price allocation of \$1,124,599 or \$70,287 per lot with the land in a mass graded condition.

The sales of the 16 completed homes from SPIC Del Sur, LLC to the individual homeowners closed from August 28, 2014 through December 31, 2014 at net sale prices ranging from \$730,900 to \$859,712. Thus far, there have been no resales.

Legal Description

The 16 lots comprising this product type are described as Lots 1 to 16 of Black Mountain Ranch Units 16-19, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15951 filed in the Office of the County Recorder on October 31, 2013.

Assessor Data-2015/16

The 16 lots comprise Assessor Parcel Nos. 678-231-01 to 16. The assessed values range from \$730,900 to \$859,712, or an average of \$792,465. The tax rate area is 008050 which indicates a current tax rate of 1.04969%, and the effective tax rate is approximately 1.7% including special taxes for this CFD and other overlapping debt and based on the average appraised home value.

No. of Lots/Lot Sizes

This product type comprises a total of 16 lots. These lots are $\pm 5,000$ s.f. minimum size or $\pm 45' - 50' \times 100' - 112'$, with actual sizes of 4,886 s.f. to 7,671 s.f. or an average of 5,589 s.f.

PROPERTY DATA, Continuing

Description of Homes

These 16 lots were developed by Standard Pacific Homes in 2014 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 alley. As of the January 15, 2016 date of value, all 16 homes had been completed and sold with the last builder sale closing in December 2014. Thus, all 16 lots are categorized as Developed Property.

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

Plan 1: 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: 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: 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 16 homes range in size from 2,483 s.f. to 2,817 s.f. or an average of 2,697 s.f.

VALUATION

Method of Analysis

The analysis of the completed homes is of the aggregate value and on a mass appraisal basis by means of the Sales Comparison Approach. Consideration is given to the original builder sales of the subject homes; to resale activity of the Carrillo homes including in the area nearby to the west; to recent resales of other product types in the Del Sur East area; and to recent builder sales of similar new homes in the Del Sur East area.

Sales of Subject Homes

As previously indicated, the builder sales of these 16 homes closed from August 28, 2014 through December 31, 2014 at net sale prices ranging from \$730,900 to \$859,712, or an average of \$788,400 for the average size of 2,697 s.f. Considering the dates of sale, the indication at \$788,400 supports a far lower limit as an average value at current date.

Resales of Carrillo Homes

There have been two resales of the Carrillo product type of homes, as shown in the following table:

VALUATION, Continuing

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Remarks</u>
1	15565 Tanner Ridge Rd.	8/14/15	\$880,000	2,812	2013	Good cond./upgraded; landscaped back yard
2	15594 Potomac Ridge Rd.	1/11/16	<u>\$827,000</u>	<u>2,483</u>	2013	Good cond./upgraded; landsc. back yard; view
			\$853,500	2,648		(Avg.; \$322.32/s.f.)

It is noted that the average size is slightly smaller than the average of 2,697 s.f. for all 16 subject homes, the condition is generally similar, the partial view of Data No. 2 is slightly superior but the lot sizes of these sales are smaller than for the 16 homes. Thus, the average of \$853,500 supports a close lower limit indication as an average value for the 16 homes, and the price of \$322.32 per s.f. supports a close upper limit indication as follows:

$$2,697 \text{ s.f. @ } \$322.32/\text{s.f.} = \$869,300$$

Resales of Other Homes in Del Sur East

The only other pertinent resale in this immediate area was in the Hawthorne product type, located at 15855 Atkins Pl. It is a 2,690 s.f. home that was built in 2014 and on a 5,540 s.f. lot that was in good and upgraded condition with a highly improved back yard and good view. The sale closed on July 10, 2015 at the price of \$1,060,000. While the size of 2,690 s.f. is similar to the average of the subject homes at 2,697 s.f., this is a superior product type that includes the superior factors of upgraded condition, location and view. Thus, the sale price of \$1,060,000 supports a far upper limit as an average for the 16 subject homes.

Builder Sales in Del Sur East

As discussed later in this report for the Preston product type of homes, the 20 most recent closed builder sales from November and December 2015 indicated an average net sale price of \$949,600 for an average home size of 3,112 s.f. or \$305.14 per s.f. Due to the much larger average home size as well as being a superior product type on larger lots, the average price of \$949,600 supports a far upper limit indication as an average for the 16 subject homes, but the indication at \$305.14 per s.f. supports a firm lower limit as follows:

$$2,697 \text{ s.f. @ } \$305.14/\text{s.f.} = \$823,000$$

Also as discussed later in this report for the Stratford product type of homes, the 18 most recent closed builder sales from November and December 2015 indicated an average net sale price of \$882,800 for an average home size of 2,803 s.f., or \$314.95 per s.f. Due to the larger average home size and slightly superior product type though on smaller lots, the average sale price of \$882,800 supports a firm upper limit

VALUATION, Continuing

indication as an average for the 16 subject homes, and the indication at \$314.95 per s.f. supports a firm lower limit indication as follows:

$$2,697 \text{ s.f. @ } \$314.95/\text{s.f.} = \$849,400$$

Conclusion of Value

In summary, the indications of average value for the 16 completed subject homes support a far lower limit at \$788,400, closer but still firm lower limits from \$823,000 to \$849,400, a close lower limit at \$853,500, a close upper limit at \$869,300, a firm upper limit at \$882,800, and far upper limits at \$949,600 and \$1,060,000. The conclusion is an average value of \$860,000 for the 16 homes which results in the following:

$$16 \text{ homes @ } \$860,000 = \$13,760,000$$

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 January 15, 2016:

\$13,760,000

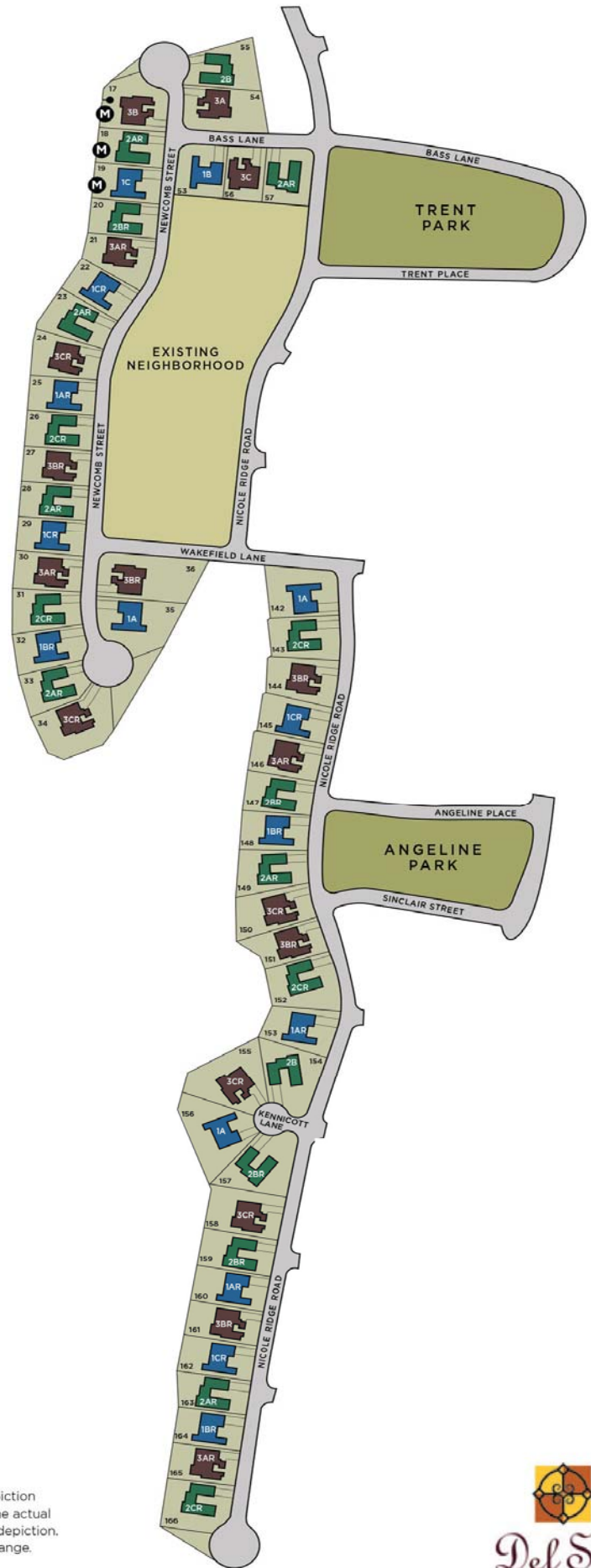
(THIRTEEN MILLION SEVEN HUNDRED SIXTY THOUSAND DOLLARS)

As previously indicated, all of the value is allocated to Individual Homeowners and to Developed Property.



KINGSTON

AT DEL SUR



LEGEND

	PLAN 1 - CAVALLI
	PLAN 2 - SALVATORI
	PLAN 3 - MARCELLO
	MODEL
	A - ANDALUSIAN
	B - SPANISH
	C - TUSCAN



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. 4/15.



Del Sur

KINGSTON

PROPERTY DATA

Location

This product type is located along Newcomb St. from just north of Bass Ln. to just south of Wakefield Ln.; along the south side of Bass Ln. between Newcomb St. and Nicole Ridge Rd.; and along the westerly side of Nicole Ridge Rd. southerly of Wakefield Ln.; and around the Kennicott Ln. cul-de-sac.

Record Owner/Ownership History

As of the January 15, 2016 date of value, individual homeowners owned 10 of the lots (Lots 24, 25, 29, 30, 31, 32, 34, 36, 149 & 150) and the remaining 40 lots were owned by SPIC Del Sur, LLC.

Similar to the discussion for Carrillo, 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 50 subject lots closed on April 17, 2014 at a price allocation of \$5,650,726 or \$113,015 per lot with the land in a mass graded condition.

The sales of the 10 completed homes from SPIC Del Sur, LLC to the individual homeowners closed from September 29, 2015 through December 29, 2015 at net sale prices ranging from \$1,400,000 to \$1,784,605.

Legal Description

The 50 lots comprising this product type are described as Lots 17 to 36, 53 to 57 & 142 to 166 of Black Mountain Ranch Units 16-19, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15951 filed in the Office of the County Recorder on October 31, 2013.

Assessor Data-2015/16

The 50 lots comprise Assessor Parcel Nos. 678-231-17 to 24; 678-232-01 to 07; 678-233-01 to 10 & 33 to 36; 678-234-01 to 07; 678-235-01 to 08; and 678-236-01 to 06. The assessed value for each parcel is \$91,798 for land and \$0 for improvements, which does not reflect the current status of home construction. The tax rate area is 008050 which indicates the current tax rate of 1.04969%, and the effective tax rate is approximately 1.8% including special taxes for this CFD and other overlapping debt and based on the current home pricing.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This product type comprises a total of 50 lots. These lots are considered as $\pm 9,000$ s.f. minimum size, or 75' by 120', with actual sizes of 7,937 s.f. to 16,696 s.f. or an average of 10,924 s.f.

Description of Homes/Status of Construction

These lots are currently being developed by CalAtlantic Homes with a product type of estate-style homes called Kingston at Del Sur. As of the January 15, 2016 date of value, there were 10 completed-sold homes (closed sales), 9 completed-unsold homes (including the 3 models), 13 homes under construction, and 18 vacant lots in near finished condition. Of the 13 homes under construction, 3 were about 90% completed, 4 were indicated to be 30% completed and 6 were indicated to be 15% completed.

Note: The Developed Property comprises 22 lots which includes 8 completed-sold homes (Lots 24, 25, 29 to 32, 34 & 36); 8 completed-unsold homes (Lots 17 to 19, 26 to 28, 33 & 35); and 6 homes under construction at 15% completed (Lots 142 to 147). The Undeveloped Property comprises the remaining 28 lots which includes 2 completed-sold homes (Lots 149 & 150); 1 completed-unsold home (Lot 148); 3 homes under construction at 90% completed (Lots 151 to 153); 4 homes under construction at 30% completed (Lots 154 to 157); and 18 vacant lots (Lots 20 to 23, 53 to 57 & 158 to 166).

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

Plan 1: 4,912 s.f., two-story, with 5 bedrooms, 5.5 baths, office, bonus room, Del Sur room with outdoor fireplace, front courtyard with fireplace, 2nd floor deck off master bedroom, and a 3-car tandem garage with optional kitchenette/craft room/workshop in lieu of 3rd car tandem garage space.

Plan 2: 5,199 s.f., two-story, with 5 bedrooms, 5.5 baths, office, bonus room, Del Sur room with optional outdoor fireplace, front courtyard with optional outdoor fireplace, 2nd floor breezeway over courtyard and deck off master bedroom, and a 3-car tandem garage with optional pet suite or gym in lieu of 3rd car tandem garage space.

Plan 3: 5,135 s.f., two-story, with 5 bedrooms, 5.5 baths, wine room, office or optional guest suite with bath 6, bonus room, Del Sur room with outdoor fireplace, front courtyard, 2nd floor deck off master bedroom, and a 3-car tandem garage plus separate 1-car garage (part of optional guest suite).

Per building permit data, the 19 completed homes range in size from 4,912 s.f. to 5,135 s.f., with average sizes of 5,050 s.f. for the 10 completed-sold homes and 5,019 s.f. for the 9 completed-unsold homes.

VALUATION

Method of Analysis

The analysis of the completed-sold homes is similar to the previous analysis of the Carrillo product type. For the completed-unsold homes, the analysis considers a discount due to the bulk ownership by the builder with the discount reflecting holding/sales costs, finishing costs and 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 10 homes for which the builder sales closed from September 29, 2015 through December 29, 2015. The net sale prices ranged from \$1,400,000 to \$1,784,605 or an average of \$1,555,000, reflecting the average home size of 5,050 s.f. However, it is noted that escrows opened on these sales from May through November 2015, thus the average price indication of \$1,555,000 is on the conservative side as of current date, as supported by the pending sales discussed below.

As of January 15, 2016 there were 5 pending sales which had net sale prices ranging from \$1,478,150 to \$2,129,989 or an average of \$1,693,500 for an average home size of 5,046 s.f. It is evident that the average price is much higher than for the 10 closed sales and also for a fairly similar average home size. Thus, these pending sales support that the average price of \$1,555,000 from the closed sales is a firm lower limit as an average for the 10 homes, and the average price of \$1,693,500 supports a close indication.

Considering all 15 closed and pending sales, the average net sale price is \$1,601,000 for an average home size of 5,048 s.f., or very similar to the average of 5,050 s.f. for the 10 completed-sold homes. Considering the dates of sale negotiation for many of the 10 closed sales, the average price of \$1,601,000 supports a closer but still firm lower limit indication for the 10 homes.

As discussed later in this report for the Avondale product type of homes, the 10 pending sales of those homes indicate an average net sale price of \$1,454,500 for an average home size of 4,435 s.f. or \$327.96 per s.f. Due to the smaller average home size, slightly inferior product type and the smaller lots, the average price of \$1,454,500 supports a far lower limit indication as an average for the 10 subject

VALUATION, Continuing

homes, but the indication at \$327.96 per s.f. supports a closer indication for the Kingston homes as follows:

$$5,050 \text{ s.f. @ } \$327.96/\text{s.f.} = \$1,656,000$$

Lastly, there has been one resale of a Marston product type home located at 15738 Tanner Ridge Rd. This is a 4,480 s.f. home that was built in 2014 on a $\pm 15,000$ s.f. lot with view. The home was in good condition and had been well upgraded though with no rear yard landscaping. The sale closed on May 12, 2015 at the price of \$1,420,000 or \$316.96 per s.f. Considering the much smaller home size than the average of 5,050 s.f. for the 10 subject homes, the slightly larger lot but similar view, and the lack of rear yard improvements, the price of \$1,420,000 supports a far lower limit as an average for the 10 homes and the indication at \$316.96 per s.f. supports closer but still firm lower limit as follows:

$$5,050 \text{ s.f. @ } \$316.96/\text{s.f.} = \$1,601,000$$

In summary, the indications of average value for the 10 completed-sold homes support far lower limits at \$1,420,000 and \$1,454,500, closer but still firm lower limit indications at \$1,601,000, and close indications at \$1,656,000 and \$1,693,500. The conclusion is an average value of \$1,650,000 for the 10 completed-sold homes.

Analysis of Completed-Unsold Homes

These 9 homes include the 3 model homes and have an average size of 5,019 s.f., which is slightly smaller than the average of 5,050 s.f. for the completed-sold homes.

The initial value conclusion for these 9 homes is the same as for the completed-sold homes, or an average of \$1,650,000. Then, a discount of 15% has been applied due to the bulk ownership by the builder and reflecting holding/sales costs, finishing costs and profit. This results in an average value rounded to \$1,400,000 for the 9 completed-unsold homes.

Analysis of Homes Under Construction

For the 3 homes that were about 90% completed, I have considered a cost amount of 90% of direct costs indicated to be \$78.28 per s.f., or \$70.45 per s.f. on the average home size of 5,030 s.f., or an amount of \$354,364. This is added to the estimated value of \$685,686 for the vacant lot, as discussed next, resulting in a total of \$1,040,050 rounded to \$1,040,000 as an average for these 3 homes.

For the 4 homes that were indicated to be 30% completed, I have considered a cost amount of 30% of \$78.28 per s.f. direct costs, or \$23.48 per s.f. on the average home size of 5,033 s.f., or an amount of \$118,175. This is added to the estimated value of

VALUATION, Continuing

\$685,686 for the vacant lot, resulting in a total of \$803,861 rounded to \$800,000 as an average for these 4 homes.

For the 6 homes that were indicated to be 15% completed, I have considered a cost amount of 15% of \$78.28 per s.f. direct costs, or \$11.74 per s.f. on the average home size of 5,030 s.f., or an amount of \$59,052. This is added to the estimated value of \$685,686 for the vacant lot, resulting in a total of \$744,738 rounded to \$740,000 for these 6 homes.

Analysis of Vacant Lots

For the 18 vacant lots, a search was made for sales of bulk single-family lots in the subject area and also expanded over a widespread area. The pertinent data is shown in the following table:

<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	Hawthorne product type in Del Sur East; homes of 2,600-2,955 s.f.
2	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	Prado product type in Del Sur East; homes of 1,905-2,448 s.f.
3	±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	Carrillo product type in Del Sur East; homes of 2,483-2,977 s.f.
4	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	Descanso product type in Del Sur East; homes of 3,423-3,940 s.f.
5	S'yly end Lower Scarborough Ct., San Diego (267-364-01,08,09,16-20,27-38)	2/28/14	20 ±6,500	\$369,000 ±\$420,000	.48	Sentinels product type in Del Sur West; homes of 2,784-3,388 s.f.
6	W/S Pomerado Rd., opposite Roberto Way, Poway (314-370-38)	10/8/15	10 13,600 (pad)	\$120,000 ±\$400,000	n/a	Raw hilly land with approved tent. map; lot pad areas of 13,600-26,400 s.f.; homes likely to be 4,000+ s.f.
7	Rancho Summit Dr. N'yly from Williams Terrace, Encinitas (264-590-01 to 18; 264-591-01 to 10)	1/9/15	28 1-ac.	\$380,357 \$725,000	n/a	Raw sloping land with recorded tract map; isolated area; views from upper end
8	S/S Carlsbad Village Dr. at W end of Afton Way, Carlsbad (167-250-06 & 167-531-45)	Offers	8 10,000	n/a \$550,000- \$700,000	n/a	Raw hilly land with approved tent. map; owner may develop
9	Both sides future Poinsettia Ln., ±½ mile W/O El Camino Real, Carlsbad (215-020-07 & 215-050-21,22,44-47)	Pending	140 (det. condos)	\$132,143 \$380,000	n/a	Raw undulating land; tent. map in process; homes to range from 1,745-2,718 s.f.

Data Nos. 1, 2 & 3 are located nearby to the west of the subject property, in the westerly part of the Del Sur East area. These sales were part of a bulk sale of 1,399 lots/units from Black Mountain Ranch, LLC to SPIC Del Sur, LLC that was

VALUATION, Continuing

executed in September 2012 and these sales closed in September 2012 and February 2014. As indicated, these lots are much smaller than the subject lots and the product types of homes are much smaller and lower-priced. For these reasons, as well as the date of sale, the indications from about \$233,000 to \$316,000 per finished lot support far lower limits for the subject lots.

Data Nos. 4 & 5 were sales from Black Mountain Ranch, LLC to Brookfield Homes, with Data No. 4 located nearby to the west of the subject property and Data No. 5 located in the Del Sur West area. While both of these sales consist of relatively larger lots that were developed with relatively larger and higher-priced homes, the lots are still smaller than the subject lots and the homes are much smaller and lower-priced than the subject homes. Thus, these sales support closer but still far lower limit indications for the subject lots at \$420,000 and \$436,000 per finished lot.

Data No. 6 is located on the west side of Pomerado Rd. nearby to the north of Camino Del Norte in Poway, and consists of raw and hilly land with an approved tentative tract map for 10 lots on a 23.5-acre site. The lots range from 1.13 to 7.12 acres but including much slope, or pad areas of 13,600 to 26,400 s.f. The buyer (New Pointe Communities) reportedly plans homes of 4,000+ s.f. The sale closed in October 2015 at a price reflecting \pm \$400,000 per finished lot. While the lots are larger in size than the subject lots, the location is inferior due to not being part of a desirable master-planned community, and the time as well as risk is much greater due to the lack of a final tract map and significant land development costs in contrast to the subject lots being in near finished condition. Thus, the indication at \$400,000 per finished lot supports a far lower limit for the subject.

Data No. 7 is located along Rancho Summit Dr. northerly from Williams Terrace in the far northeast part of the City of Encinitas. It consisted of raw land, sloping up to the north with good views to the upper lots, and with a recorded tract map for 28 lots that are 1.0 acre minimum size. This is a fairly isolated area with limited infrastructure nearby. The sale to Shea Homes recorded on January 9, 2015 at the price of \$10,650,000 or \$380,357 per lot, with finished lots estimated at \$725,000. The location is considered to be inferior to the subject, the lots are significantly larger in size and with superior view potential, but again there is the significant negative factor from the time and risk to complete the land development in contrast to the subject lots being in near finished condition and part of a desirable master-planned community. The indication at \$725,000 per finished lot supports a close but firm upper limit for the subject lots.

Data No. 8 is located on the south side of Carlsbad Village Dr. at the westerly end of Afton Way in Carlsbad, and consists of raw and hilly land with an approved tentative tract map for 8 lots on a 4.2-acre site. The lots are a minimum size of 10,000 s.f., and most are larger but including slope area. The broker indicates that offers were received between \$550,000 and \$700,000 on a finished lot basis, but the owners are

VALUATION, Continuing

developers and may build the project instead. While the lots are larger in size than the subject lots, the location is inferior and the time/risk factor due to the lack of a final tract map and significant land development costs is inferior to the subject near-finished lot condition. In general, the wide range of \$550,000 to \$700,000 tends to support a lower limit indication for the subject lots.

Data No. 9 is located on both sides of future Poinsettia Ln., between El Camino Real and Ambrosia Rd. in Carlsbad, and consists of raw and undulating land on which a tentative tract map is in process for 140 detached condominiums on a 61-acre site. Lennar Homes is processing the entitlements and plans homes of 1,745 to 2,718 s.f. The pending land sale is at a price of \$132,143 per lot in raw condition or estimated at \$380,000 per finished lot. Due to the inferior location, much smaller lots and raw condition of the land, the indication at \$380,000 per finished lot supports a far lower limit for the subject lots.

In summary, on a finished lot basis the analysis of the data results in far lower limit indications from about \$233,000 to \$436,000, a closer range from \$550,000 to \$700,000, and a close but firm upper limit at \$725,000. Alternatively, some of the data indicate finished lot ratios in the range of .44 to .49, and I have concluded that the low end of the range would be more supportable for a high-end product such as the subject, resulting in the following:

$$\pm \$1,600,000 \text{ avg. sale price} \times .44 = \$704,000/\text{finished lot}$$

The conclusion is a value of \$700,000 per finished lot. Then, a deduction is made for the remaining land development costs and fees to get the lots from as is condition to finished condition. Information provided to the appraiser is that these total estimated remaining costs are \$443,736. These costs have been allocated over the 31 lots that are either vacant or have homes under construction, resulting in an allocation of \$14,314 per lot.

The resulting value indication for the as is condition of the lots is \$700,000 less \$14,314, or \$685,686 per lot. For the 18 vacant lots, this results in the following:

$$\begin{array}{r} 18 \text{ vacant lots, as is condition @ } \$685,686/\text{lot} = \\ \text{Rd.} \end{array} \quad \begin{array}{r} \$12,342,348 \\ \$12,340,000 \end{array}$$

Conclusion of Value

Based on the foregoing, the value indication for the as is condition of the subject properties comprising the Kingston product type is calculated as follows:

VALUATION, Continuing

10 completed-sold homes @ \$1,650,000 =	\$16,500,000
9 completed-unsold homes @ \$1,400,000 =	\$12,600,000
3 homes under construction, 90% completed @ \$1,040,000 =	\$ 3,120,000
4 homes under construction, 30% completed @ \$800,000 =	\$ 3,200,000
6 homes under construction, 15% completed @ \$740,000 =	\$ 4,440,000
18 vacant lots =	<u>\$12,340,000</u>
Value Indication, As Is:	\$52,200,000

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 Kingston product type, subject to the Assumptions and Limiting Conditions, and as of January 15, 2016:

\$52,200,000

(FIFTY-TWO MILLION TWO HUNDRED THOUSAND DOLLARS)

Then, the overall value conclusion is allocated to the individual owners (completed-sold homes) and the SPIC Del Sur, LLC or builder ownership (completed-unsold homes, homes under construction and vacant lots), and also allocated to Developed Property and Undeveloped Property. As previously indicated, the Developed Property includes 8 completed-sold homes (Lots 24, 25, 29 to 32, 34 & 36); 8 completed-unsold homes (Lots 17 to 19, 26 to 28, 33 & 35); and 6 homes under construction at 15% completed (Lots 142 to 147). The Undeveloped Property includes 2 completed-sold homes (Lots 149 & 150); 1 completed-unsold home (Lot 148); 3 homes under construction at 90% completed (Lots 151 to 153); 4 homes under construction at 30% completed (Lots 154 to 157); and 18 vacant lots (Lots 20 to 23, 53 to 57 & 158 to 166).

The allocation is as follows:

	<u>No.</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Market Value</u>
<i>Individual Owners (Completed-Sold Homes):</i>	10	\$13,200,000	\$3,300,000	\$16,500,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	9	\$11,200,000	\$1,400,000	\$12,600,000
<i>Builder Ownership (Homes Under Construction):</i>	13	\$4,440,000	\$6,320,000	\$10,760,000
<i>Builder Ownership (Vacant Lots):</i>	<u>18</u>	<u>\$0</u>	<u>\$12,340,000</u>	<u>\$12,340,000</u>
	50	\$28,840,000	\$23,360,000	\$52,200,000



PRESTON


AT DEL SUR





LEGEND

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

M = MODEL

 PLAN 1 - CORONADO

 PLAN 2 - MONTECITO

 PLAN 3 - CARMEL



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. 10/14.



Del Sur

PRESTON

PROPERTY DATA

Location

This product type is located between Newcomb St. and Nicole Ridge Rd. north from Wakefield Ln.; between Nicole Ridge Rd. and Edgehill Rd. from Wakefield Ln. southerly to Angeline Pl.; and easterly from Nicole Ridge Rd., southerly and westerly from Sinclair St. and northerly from Kennicott Ln.

Record Owner/Ownership History

As of the January 15, 2016 date of value, individual homeowners owned 52 of the lots (Lots 37 to 47, 64 to 69, 195 to 198, 201, 203, 204 & 207 to 234) and the remaining 26 lots were owned by SPIC Del Sur, LLC.

Similar to the discussion for Carrillo, 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 78 subject lots closed on April 17, 2014 at a price allocation of \$6,620,726 or \$84,881 per lot with the land in a mass graded condition.

The sales of the 52 completed homes from SPIC Del Sur, LLC to the individual homeowners closed from April 1, 2015 through December 29, 2015 at net sale prices ranging from \$859,131 to \$1,136,005.

Legal Description

The 78 lots comprising this product type are described as Lots 37 to 52, 58 to 69 & 185 to 234 of Black Mountain Ranch Units 16-19, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15951 filed in the Office of the County Recorder on October 31, 2013.

Assessor Data-2015/16

The 78 lots comprise Assessor Parcel Nos. 678-232-08 to 29; 678-233-11 to 16 & 37 to 47; 678-234-08 to 27; and 678-235-20 to 38. The assessed value for each parcel is \$77,090 for land and \$0 for improvements, which does not reflect the current status of home construction. The tax rate area is 008050 which indicates the current tax rate of 1.04969%, and the effective tax rate is indicated to be approximately 1.8% including special taxes for this CFD and other overlapping debt and based on the current home pricing.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This product type comprises a total of 78 lots. These lots are considered as $\pm 5,000$ s.f. minimum size, or 50' by 100', with actual sizes of 5,000 s.f. to 9,896 s.f. or an average of 6,406 s.f.

Description of Homes/Status of Construction

These lots are currently being developed by CalAtlantic Homes with a product type of homes called Preston at Del Sur. As of the January 15, 2016 date of value, there were 52 completed-sold homes (closed sales), 8 completed-unsold homes (including the 3 models), and 18 homes under construction of which 5 were indicated to be 95% completed, 5 were indicated to be 70% completed and 8 were indicated to be an average of about 50% completed.

Note: The Developed Property comprises 38 lots which includes 35 completed-sold homes (Lots 37 to 47, 64 to 69 & 217 to 234) and 3 completed-unsold homes/models (Lots 58 to 60). The Undeveloped Property comprises the remaining 40 lots which includes 17 completed-sold homes (Lots 195 to 198, 201, 203, 204 & 207 to 216); 5 completed-unsold homes (Lots 199, 200, 202, 205 & 206); 5 homes under construction at 95% completed (Lots 185 to 189); 5 homes under construction at 70% completed (Lots 190 to 194); and 8 homes under construction at 50% completed (Lots 48 to 52 & 61 to 63).

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

Plan 1: 2,947 s.f., two-story, with 4 bedrooms, 3.5 baths, office, bonus room or optional bedroom 5/bath 4, Del Sur room with optional outdoor fireplace, front courtyard, and a 3-car tandem garage with optional craft room in lieu of 3rd car tandem garage space.

Plan 2: 3,101 s.f., two-story, with 4 bedrooms, 3.5 baths, bonus room or optional bedroom 5/bath 4, Del Sur room with optional outdoor fireplace, and a 3-car tandem garage with optional craft room in lieu of 3rd car tandem garage space.

Plan 3: 3,330 s.f., two-story, with 5 bedrooms, 4 baths, dining room or optional office, bonus room or optional bedroom 6, deck off 2nd floor bedroom, Del Sur room with optional outdoor fireplace, and a 3-car tandem garage with optional craft room in lieu of 3rd car tandem garage space.

Per building permit data, the 52 completed-sold homes range in size from 2,928 s.f. to 3,330 s.f. or an average of 3,140 s.f., and the 8 completed-unsold homes have the same range with an average of 3,137 s.f.

VALUATION

Method of Analysis

This is similar to the previous analysis of the Kingston product type.

Analysis of Completed-Sold Homes

These are the 52 homes for which the builder sales closed from April 1, 2015 to December 29, 2015. The net sale prices ranged from \$861,631 to \$1,136,005 or an average of \$957,200 or \$304.84 per s.f., reflecting the average home size of 3,140 s.f. It is noted that escrows opened on these sales from November 2014 through October 2015, thus the average price indication of \$957,200 would typically tend to be on the conservative side as of current date.

However, it is noted that the most recent 20 closed sales from November and December indicated the slightly lower average price of \$949,700 or \$305.17 per s.f. but also for the slightly smaller average size of 3,112 s.f. In addition, the 11 pending sales indicate an even lower average price of \$935,700 or \$301.74 per s.f. but for the smaller average size of 3,101 s.f. Thus, due to the smaller average sizes, the indications at \$935,700 and \$949,700 support close lower limits as average values for the 52 homes, and the indications at \$301.74 to \$305.17 per s.f. result in the following:

$$3,140 \text{ s.f. @ } \$301.74 \text{ to } \$305.17/\text{s.f.} = \$947,500 \text{ to } \$958,200$$

As previously discussed for the Carrillo product type, the two resales of Carrillo homes in the Del Sur East area indicated an average price of \$853,500 or \$322.32 per s.f. for an average home size of 2,648 s.f. Due to the much smaller size, the average price of \$853,500 supports a far lower limit for the Preston product type, but the average of \$322.32 per s.f. supports a far upper limit as follows:

$$3,140 \text{ s.f. @ } \$322.32/\text{s.f.} = \$1,012,100$$

As discussed next in this report for the Stratford product type, the 18 most recent closed sales plus the 2 pending sales indicate an average price of \$884,200 or \$317.60 per s.f. for an average home size of 2,784 s.f. Due to the smaller average home size as well as the smaller lot sizes, this supports a far lower limit for the subject homes at \$884,200 but a far upper limit at \$317.60 per s.f. as follows:

$$3,140 \text{ s.f. @ } \$317.60/\text{s.f.} = \$997,300$$

In summary, the indications of average value for the 52 completed-sold homes support far lower limits at \$853,500 and \$884,200, close lower limits at \$935,700 and \$949,700, close indications from \$947,500 to \$958,200, and far upper limits at \$997,300 and \$1,012,100. The conclusion is an average value of \$955,000 for the 52 completed-sold homes.

VALUATION, Continuing

Analysis of Completed-Unsold Homes

These 8 homes include the 3 model homes and have an average size of 3,137 s.f., or fairly similar to the average size of the completed-sold homes.

The initial value conclusion for these 8 homes is the same as for the completed-sold homes, or an average of \$955,000. Then, a discount of 15% has been applied due to the bulk ownership by the builder and reflecting holding/sales costs, finishing costs and profit. This results in an average value rounded to \$810,000 for the 8 completed-unsold homes.

Analysis of Homes Under Construction

For the 5 homes that were indicated to be 95% completed, I have considered a cost amount of 95% of direct costs indicated to be \$70.92 per s.f., or \$67.37 per s.f. on the average home size of 3,112 s.f., or an amount of \$209,655. This is added to the estimated value of \$426,125 for the vacant lot, as discussed next, resulting in a total of \$635,780 rounded to \$635,000 as an average for these 5 homes.

For the 5 homes that were indicated to be 70% completed, I have considered a cost amount of 70% of \$70.92 per s.f. direct costs, or \$49.64 per s.f. on the average home size of 3,078 s.f., or an amount of \$152,792. This is added to the estimated value of \$426,125 for the vacant lot, resulting in a total of \$578,917 rounded to \$575,000 as an average for these 5 homes.

For the 8 homes that were indicated to be an average of 50% completed, I have considered a cost amount of 50% of \$70.92 per s.f. direct costs, or \$35.46 per s.f. on the average home size of 3,194 s.f., or an amount of \$113,259. This is added to the estimated value of \$426,125 for the vacant lot, resulting in a total of \$539,384 rounded to \$535,000 for these 8 homes.

Analysis of Vacant Lot Value

The analysis is similar to that for the previous Kingston product type. Considering the 5,000 s.f. minimum lot size, lack of views, size and pricing of the homes being built on these lots, and the near finished condition, the land sales data supports well over \$380,000 per finished lot, closer to \$420,000 to \$436,000 per finished lot, and well under \$550,000 per finished lot. The most supportable range is concluded to be based on a .45 to .46 finished lot ratio, resulting in the following:

$$\pm \$950,000 \text{ avg. sale price} \times .45-.46 = \$427,500 \text{ to } \$437,000/\text{finished lot}$$

The conclusion is a value of \$430,000 per finished lot. Then, a deduction is made for the remaining land development costs and fees to get the lots from as is condition to finished condition. Information provided to the appraiser is that these total

VALUATION, Continuing

estimated remaining costs are \$69,745. These costs have been allocated over the 18 lots with homes under construction, resulting in an allocation of \$3,875 per lot. The resulting value indication for the as is condition of the lots is \$430,000 less \$3,875, or \$426,125 per lot.

Conclusion of Value

Based on the foregoing, the value indication for the as is condition of the subject properties comprising the Preston product type is calculated as follows:

52 completed-sold homes @ \$955,000 =	\$49,660,000
8 completed-unsold homes @ \$810,000 =	\$ 6,480,000
5 homes under construction, 95% completed @ \$635,000 =	\$ 3,175,000
5 homes under construction, 70% completed @ \$575,000 =	\$ 2,875,000
8 homes under construction, 50% completed @ \$535,000 =	<u>\$ 4,280,000</u>
Value Indication, As Is:	\$66,470,000

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 Preston product type, subject to the Assumptions and Limiting Conditions, and as of January 15, 2016:

\$66,470,000

(SIXTY-SIX MILLION FOUR HUNDRED SEVENTY THOUSAND DOLLARS)

Then, the overall value conclusion is allocated to the individual owners (completed-sold homes) and the SPIC Del Sur, LLC or builder ownership (completed-unsold homes and homes under construction), and also allocated to Developed Property and Undeveloped Property. As previously indicated, the Developed Property comprises 38 lots which includes 35 completed-sold homes (Lots 37 to 47, 64 to 69 & 217 to 234) and 3 completed-unsold homes/models (Lots 58 to 60). The Undeveloped Property comprises the remaining 40 lots which includes 17 completed-sold homes (Lots 195 to 198, 201, 203, 204 & 207 to 216); 5 completed-unsold homes (Lots 199, 200, 202, 205 & 206); 5 homes under construction at 95% completed (Lots 185 to 189); 5 homes under construction at 70% completed (Lots 190 to 194); and 8 homes under construction at 50% completed (Lots 48 to 52 & 61 to 63).

The allocation is as follows:

	<u>No.</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Market Value</u>
<i>Individual Owners (Completed-Sold Homes):</i>	52	\$33,425,000	\$16,235,000	\$49,660,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	8	\$2,430,000	\$4,050,000	\$6,480,000
<i>Builder Ownership (Homes Under Construction):</i>	<u>18</u>	<u>\$0</u>	<u>\$10,330,000</u>	<u>\$10,330,000</u>
	78	\$35,855,000	\$30,615,000	\$66,470,000



STRATFORD




AT DEL SUR



LEGEND

- A = SPANISH
- B = EUROPEAN COTTAGE
- C = BUNGALOW

M = MODEL

-  PLAN 1 - LARKSPUR
-  PLAN 2 - SUMMERLAND
-  PLAN 3 - SAUSALITO



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. 4/15



Del Sur

STRATFORD

PROPERTY DATA

Location

This product type is located between Nicole Ridge Rd. and Edgehill Rd., extending southerly from Camino San Bernardo to Wakefield Ln.

Record Owner/Ownership History

As of the January 15, 2016 date of value, individual homeowners owned 45 of the lots (Lots 70 to 73, 75, 77 to 90, 95, 96 & 118 to 141) and the remaining 27 lots were owned by SPIC Del Sur, LLC.

Similar to the discussion for Carrillo, 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 72 subject lots closed on April 17, 2014 at a price allocation of \$5,688,905 or \$79,013 per lot with the land in a mass graded condition.

The sales of the 45 completed homes from SPIC Del Sur, LLC to the individual homeowners closed from April 17, 2015 through December 31, 2015 at net sale prices ranging from \$810,500 to \$1,021,904.

Legal Description

The 72 lots comprising this product type are described as Lots 70 to 141 of Black Mountain Ranch Units 16-19, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15951 filed in the Office of the County Recorder on October 31, 2013.

Assessor Data-2015/16

The 72 lots comprise Assessor Parcel Nos. 678-231-25 to 37; 678-232-30 to 72; and 678-233-17 to 32. The assessed value for each parcel is \$77,090 for land and \$0 for improvements, which does not reflect the current status of home construction. The tax rate area is 008050 which indicates the current tax rate of 1.04969%, and the effective tax rate is indicated to be approximately 1.8% including special taxes for this CFD and other overlapping debt and based on the current home pricing.

No. of Lots/Lot Sizes

This product type comprises a total of 72 lots. These lots are considered as $\pm 3,850$ s.f. minimum size, or 55' by 70', with actual sizes of 3,850 s.f. to 7,955 s.f. or an average of 4,782 s.f.

PROPERTY DATA, Continuing

Description of Homes/Status of Construction

These lots are currently being developed by CalAtlantic Homes with a product type of homes called Stratford at Del Sur. As of the January 15, 2016 date of value, there were 45 completed-sold homes (closed sales), 10 completed-unsold homes (including the 3 models), 7 homes under construction and 10 vacant lots. Of the 7 homes under construction, 3 were indicated to be 35% completed and 4 were indicated to be 25% completed.

Note: The Developed Property comprises 35 lots which includes 32 completed-sold homes (Lots 77 to 84 & 118 to 141) and 3 completed-unsold homes/models (Lots 100 to 102). The Undeveloped Property comprises the remaining 37 lots which includes 13 completed-sold homes (Lots 70 to 73, 75, 85 to 90, 95 & 96), 7 completed-unsold homes (Lots 74, 76, 91 to 94 & 97), 3 homes under construction at 35% completed (Lots 104, 116 & 117), 4 homes under construction at 25% completed (Lots 105, 106, 114 & 115) and 10 vacant lots (Lots 98, 99, 103 & 107 to 113).

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

Plan 1: 2,537 s.f., two-story, with 4 bedrooms, 3.5 baths, optional den at bedroom 4, Del Sur room with optional outdoor fireplace, front covered patio, and a 2-car garage.

Plan 2: 2,685 s.f., two-story, with 4 bedrooms, 3 baths, loft, California room with optional outdoor fireplace, and a 2-car garage.

Plan 3: 3,020 s.f., two-story, with 4 bedrooms, 3 baths, dining room or optional den, loft, California room with optional outdoor fireplace, and a 2-car garage.

Per building permit data, the 45 completed-sold homes range in size from 2,537 s.f. to 3,049 s.f. or an average of 2,774 s.f., and the 10 completed-unsold homes have the same size range with an average of 2,787 s.f.

VALUATION

Method of Analysis

This is similar to the previous analyses of the Kingston and Preston product types.

Analysis of Completed-Sold Homes

These are the 45 homes for which the builder sales closed from April 17, 2015 to December 31, 2015. The net sale prices ranged from \$810,500 to \$1,021,904 or an average of \$875,200, reflecting the average home size of 2,774 s.f. It is noted that escrows opened on these sales from December 2014 through December 2015, but

VALUATION, Continuing

mostly the first half of 2015, thus the average price indication of \$875,200 or \$315.50 per s.f. would typically tend to be on the conservative side as of current date.

However, the 18 most recent sales that closed in November and December indicated the higher average price of \$884,900 but also for a larger average home size of 2,803 s.f., or only the slightly higher unit price of \$315.70 per s.f. The average price of \$884,900 supports a close upper limit as an average for all 45 homes, and the indication at \$315.70 per s.f. supports a close lower limit as follows:

$$2,774 \text{ s.f. @ } \$315.70/\text{s.f.} = \$875,800$$

In addition, the 2 pending sales indicate an average price of \$877,800 for the smaller average size of 2,616 s.f., or \$335.55 per s.f. Due to the much smaller average size, the average of \$877,800 supports a firm lower limit for the 45 homes but the average of \$335.55 per s.f. supports a firm upper limit as follows:

$$2,774 \text{ s.f. @ } \$335.55/\text{s.f.} = \$930,800$$

As previously discussed for the Carrillo product type, the two resales of Carrillo homes in the Del Sur East area indicated an average price of \$853,500 or \$322.32 per s.f. for an average home size of 2,648 s.f. Due to the slightly smaller size, the average price of \$853,500 supports a firm lower limit for the Preston product type, but the average of \$322.32 per s.f. supports a firm upper limit as follows:

$$2,774 \text{ s.f. @ } \$322.32/\text{s.f.} = \$894,100$$

Also as previously discussed for the Preston product type, the 20 most recent closed sales indicate an average price of \$949,700 or \$305.17 per s.f. for an average home size of 3,112 s.f., and the 11 pending sales indicate an average of \$935,700 or \$301.74 per s.f. for an average size of 3,101 s.f. Due to the larger average home size as well as the larger lot sizes, this supports a far upper limit for the subject homes at \$935,700 to \$949,700 but a far lower limit at \$301.74 to \$305.17 per s.f. as follows:

$$2,774 \text{ s.f. @ } \$301.74 \text{ to } \$305.17/\text{s.f.} = \$837,000 \text{ to } \$846,500$$

In summary, the indications of average value for the 45 completed-sold homes support far lower limits at \$837,000 and \$846,500, a firm lower limit at \$853,500, close lower limits from \$875,200 to \$877,800, a close upper limit at \$884,900, firm upper limits at \$894,100 and \$930,800, and far upper limits at \$935,700 and \$949,700. The conclusion is an average value of \$880,000 for the 45 completed-sold homes.

VALUATION, Continuing

Analysis of Completed-Unsold Homes

These 10 homes include the 3 model homes and have an average size of 2,787 s.f., or slightly larger than the average size of the completed-sold homes.

The initial value conclusion for these 10 homes is the same as for the completed-sold homes, or an average of \$880,000. Then, a discount of 15% has been applied due to the bulk ownership by the builder and reflecting holding/sales costs, finishing costs and profit. This results in an average value rounded to \$750,000 for the 10 completed-unsold homes.

Analysis of Homes Under Construction

For the 3 homes that were indicated to be 35% completed, I have considered a cost amount of 35% of direct costs indicated to be \$71.86 per s.f., or \$25.15 per s.f. on the average home size of 2,921 s.f., or an amount of \$73,463. This is added to the estimated value of \$381,722 for the vacant lot, as discussed next, resulting in a total of \$455,185 rounded to \$450,000 as an average for these 3 homes.

For the 4 homes that were indicated to be 25% completed, I have considered a cost amount of 25% of \$71.86 per s.f. direct costs, or \$17.97 per s.f. on the average home size of 2,822 s.f., or an amount of \$50,711. This is added to the estimated value of \$381,722 for the vacant lot, resulting in a total of \$432,433 rounded to \$430,000 as an average for these 4 homes.

Analysis of Vacant Lots

The analysis of the 10 vacant lots is similar to that for the previous Preston product type, with the most supportable range of value being based on a .45 to .46 finished lot ratio, resulting in the following:

$$\pm\$880,000 \text{ avg. sale price} \times .45-.46 = \$396,000 \text{ to } \$404,800/\text{finished lot}$$

The conclusion is a value of \$400,000 per finished lot. Then, a deduction is made for the remaining land development costs and fees to get the lots from as is condition to finished condition. Information provided to the appraiser is that these total estimated remaining costs are \$310,724. These costs have been allocated over the 17 lots that are either vacant or have homes under construction, resulting in an allocation of \$18,278 per lot. The resulting value indication for the as is condition of the lots is \$400,000 less \$18,278, or \$381,722 per lot. For the 10 vacant lots, this results in the following:

10 vacant lots, as is condition @ \$381,722/lot =	\$3,817,220
Rd.	\$3,800,000

VALUATION, Continuing

Conclusion of Value

Based on the foregoing, the value indication for the as is condition of the subject properties comprising the Stratford product type is calculated as follows:

45 completed-sold homes @ \$880,000 =	\$39,600,000
10 completed-unsold homes @ \$750,000 =	\$ 7,500,000
3 homes under construction, 35% completed @ \$450,000 =	\$ 1,350,000
4 homes under construction, 25% completed @ \$430,000 =	\$ 1,720,000
10 vacant lots =	<u>\$ 3,800,000</u>
Value Indication, As Is:	\$53,970,000

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 Stratford product type, subject to the Assumptions and Limiting Conditions, and as of January 15, 2016:

\$53,970,000

(FIFTY-THREE MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS)

Then, the overall value conclusion is allocated to the individual owners (completed-sold homes) and the SPIC Del Sur, LLC or builder ownership (completed-unsold homes, homes under construction and vacant lots), and also allocated to Developed Property and Undeveloped Property. As previously indicated, the Developed Property comprises 35 lots which includes 32 completed-sold homes (Lots 77 to 84 & 118 to 141) and 3 completed-unsold homes/models (Lots 100 to 102). The Undeveloped Property comprises the remaining 37 lots which includes 13 completed-sold homes (Lots 70 to 73, 75, 85 to 90, 95 & 96), 7 completed-unsold homes (Lots 74, 76, 91 to 94 & 97), 3 homes under construction at 35% completed (Lots 104, 116 & 117), 4 homes under construction at 25% completed (Lots 105, 106, 114 & 115) and 10 vacant lots (Lots 98, 99, 103 & 107 to 113).

The allocation is 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>	45	\$28,160,000	\$11,440,000	\$39,600,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	10	\$2,250,000	\$5,250,000	\$7,500,000
<i>Builder Ownership (Homes Under Construction):</i>	7	\$0	\$3,070,000	\$3,070,000
<i>Builder Ownership (Vacant Lots):</i>	<u>10</u>	<u>\$0</u>	<u>\$3,800,000</u>	<u>\$3,800,000</u>
	72	\$30,410,000	\$23,560,000	\$53,970,000



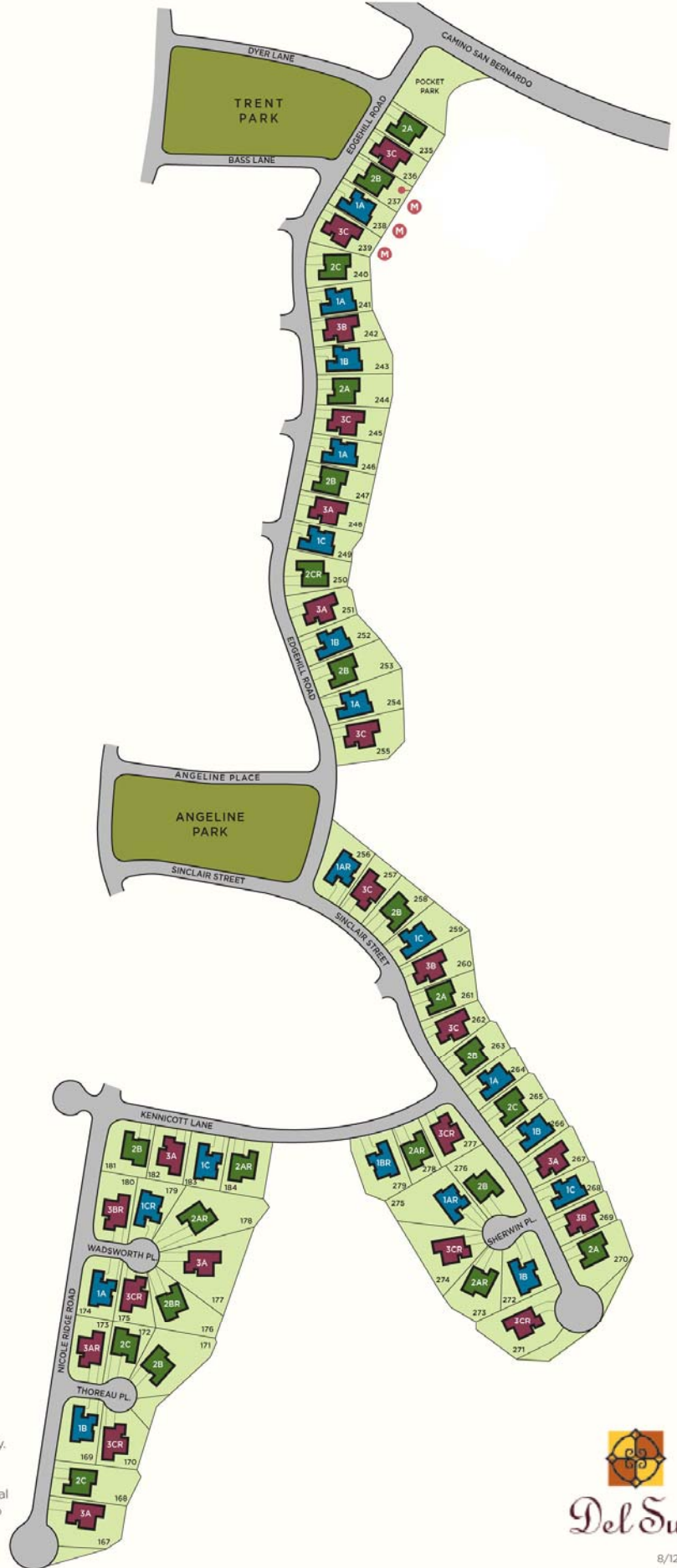
AVONDALE

AT DEL SUR



LEGEND

-  PLAN 1 - ADDISON
-  PLAN 2 - SANDOVAL
-  PLAN 3 - WHITACRE
-  MODEL
- A - ANDALUSIAN
- B - SPANISH
- C - TUSCAN



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 you information. Plans are subject to change. Ask a Sales Representative for details. 8/15.



AVONDALE

PROPERTY DATA

Location

This product type is located on the easterly side of Edgehill Rd. southerly of Camino San Bernardo; on the easterly side of Sinclair St. southerly from Edgehill Rd.; and southerly of Kennicott Ln. between Nicole Ridge Rd. and Sinclair St.

Record Owner/Ownership History

As of the January 15, 2016 date of value, individual homeowners owned 27 of the lots (Lots 243 to 261, 264, 266 to 270, 278 & 279) and the remaining 36 lots were owned by SPIC Del Sur, LLC.

Similar to the discussion for Carrillo, 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 72 subject lots closed on April 17, 2014 at a price allocation of \$6,154,306 or \$97,687 per lot with the land in a mass graded condition.

The sales of the 27 completed homes from SPIC Del Sur, LLC to the individual homeowners closed from June 24, 2015 through January 15, 2016 at net sale prices ranging from \$1,204,530 to \$1,577,380.

Legal Description

The 63 lots comprising this product type are described as Lots 167 to 184 & 235 to 279 of Black Mountain Ranch Units 16-19, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 15951 filed in the Office of the County Recorder on October 31, 2013.

Assessor Data-2015/16

The 63 lots comprise Assessor Parcel Nos. 678-232-73 to 81; 678-233-48 to 55; 678-234-28 to 36; 678-235-09 to 19 & 39 to 46; and 678-236-07 to 24. The assessed value for each parcel is \$91,798 for land and \$0 for improvements, which does not reflect the current status of home construction. The tax rate area is 008050 which indicates the current tax rate of 1.04969%, and the effective tax rate is indicated to be approximately 1.8% including special taxes for this CFD and other overlapping debt and based on the current home pricing.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This product type comprises a total of 63 lots. These lots are considered as $\pm 7,200$ s.f. minimum size, or 60' by 120', with actual sizes of 6,899 s.f. to 18,597 s.f. or an average of 9,703 s.f.

Description of Homes/Status of Construction

These lots are currently being developed by CalAtlantic Homes with a product type of homes called Avondale at Del Sur. As of the January 15, 2016 date of value, there were 27 completed-sold homes (closed sales), 7 completed-unsold homes (including the 3 models), 10 homes under construction and 19 vacant lots. Of the 10 homes under construction, 6 were indicated to be 80% completed and 4 were indicated to be 70% completed.

Note: The Developed Property comprises 34 lots which includes 27 completed-sold homes (Lots 243 to 261, 264, 266 to 270, 278 & 279) and 7 completed-unsold homes (Lots 237 to 239, 262, 263, 265 & 277). The Undeveloped Property comprises the remaining 29 lots which includes 6 homes under construction at 80% completed (Lots 271 to 276), 4 homes under construction at 70% completed (Lots 181 to 184) and 19 vacant lots (Lots 167 to 180, 235, 236 & 240 to 242).

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

Plan 1: 3,883 s.f., two-story, with 4 bedrooms, 4.5 baths, optional guest suite at bedroom 4 & separate 1-car garage, bonus room, deck off 2nd floor master bedroom, Del Sur room with outdoor fireplace, and a 2-car garage and separate 1-car garage.

Plan 2: 4,399 s.f., two-story, with 5 bedrooms, 5.5 baths, bonus room, deck off 2nd floor master bedroom, Del Sur room with outdoor fireplace, small front courtyard, and a 3-car tandem garage with optional craft room in lieu of the tandem 3rd car garage space.

Plan 3: 4,776 s.f., two-story, with 5 bedrooms, 5.5 baths, dining room or optional office, bonus room, deck off 2nd floor master bedroom, Del Sur room with outdoor fireplace, large front/side porch, and a 3-car tandem garage with optional craft room in lieu of the tandem 3rd car garage space.

Per building permit data, the 27 completed-sold homes range in size from 3,883 s.f. to 4,785 s.f. or an average of 4,291 s.f., and the 7 completed-unsold homes range in size from 3,883 s.f. to 4,766 s.f. or an average of 4,461 s.f.

VALUATION

Method of Analysis

This is similar to the previous analyses of the Kingston, Preston and Stratford product types.

Analysis of Completed-Sold Homes

These are the 27 homes for which the builder sales closed from June 24, 2015 to January 15, 2016. The net sale prices ranged from \$1,204,530 to \$1,577,380 or an average of \$1,357,800 or \$316.43 per s.f., reflecting the average home size of 4,291 s.f. It is noted that escrows opened on these sales from March through November 2015, thus the average price indication of \$1,357,800 would tend to be on the conservative side as of current date, as supported by the most recent closed sales and the pending sales as discussed below.

The 14 most recent sales that closed since November indicated the higher average price of \$1,380,900 or \$322.56 per s.f. for the slightly smaller average size of 4,281 s.f. The average price of \$1,380,900 supports a close lower limit as an average for all 27 homes, and the indication at \$322.56 per s.f. supports a close upper limit as follows:

$$4,291 \text{ s.f. @ } \$322.56/\text{s.f.} = \$1,384,100$$

In addition, the 10 pending sales indicate the higher average price of \$1,454,500 or \$327.96 per s.f. and for the larger average size of 4,435 s.f. but also for lots with inferior views than for most of the 27 completed-sold homes. Due primarily to the larger average size, the average of \$1,454,500 supports a firm upper limit for the 27 homes but the average of \$327.96 per s.f. supports a firm lower limit as follows:

$$4,291 \text{ s.f. @ } \$327.96/\text{s.f.} = \$1,407,300$$

As previously discussed for the Preston product type, the 20 most recent closed sales indicate an average price of \$949,700 or \$305.17 per s.f. for an average home size of 3,112 s.f., and the 11 pending sales indicate an average of \$935,700 or \$301.74 per s.f. for an average size of 3,101 s.f. Due to the smaller average home size as well as the smaller lot sizes and lack of views, the average prices support a far lower limit for the subject homes at \$935,700 to \$949,700 and a closer but still firm lower limit at \$301.74 to \$305.17 per s.f. as follows:

$$4,291 \text{ s.f. @ } \$301.74 \text{ to } \$305.17/\text{s.f.} = \$1,294,800 \text{ to } \$1,309,500$$

Also as previously discussed for the Kingston product type, the 15 closed and pending sales indicate an average price of \$1,601,000 or \$317.16 per s.f. for an average home size of 5,048 s.f. Due to the larger average home size, and considering the slightly superior quality but similar lot sizes and views, this supports a far upper

VALUATION, Continuing

limit for the subject homes at \$1,601,000 and a close lower limit at \$317.16 per s.f. as follows:

$$4,291 \text{ s.f. @ } \$317.16/\text{s.f.} = \$1,360,900$$

Lastly, and as previously discussed for the Kingston product type, the resale of a Marston product type home located at 15738 Tanner Ridge Rd. indicated the price of \$1,420,000 for a 4,480 s.f. home on a $\pm 15,000$ s.f. lot with view, or \$316.96 per s.f. Due to the slightly larger home size and much larger lot size, the price of \$1,420,000 supports a close upper limit for the subject homes, and the indication at \$316.96 per s.f. supports a close lower limit as follows:

$$4,291 \text{ s.f. @ } \$316.96/\text{s.f.} = \$1,360,000$$

In summary, the indications of average value for the 27 completed-sold homes support firm lower limits from \$1,294,800 to \$1,407,300, close lower limits from \$1,360,000 to \$1,380,900, close upper limits at \$1,384,100 and \$1,420,000, a firm upper limit at \$1,454,500, and a far upper limit at \$1,601,000. The conclusion is an average value of \$1,380,000 for the 27 completed-sold homes.

Analysis of Completed-Unsold Homes

These 7 homes include the 3 model homes and have an average size of 4,461 s.f., or much larger than the average size of the completed-sold homes.

Due to the larger average size, the initial value conclusion for these 7 homes is slightly higher than for the completed-sold homes, or \$1,400,000. Then, a discount of 15% has been applied due to the bulk ownership by the builder and reflecting holding/sales costs, finishing costs and profit. This results in an average value rounded to \$1,190,000 for the 7 completed-unsold homes.

Analysis of Homes Under Construction

For the 6 homes that were indicated to be 80% completed, I have considered a cost amount of 80% of direct costs indicated to be \$72.45 per s.f., or \$57.96 per s.f. on the average home size of 4,338 s.f., or an amount of \$251,430. This is added to the estimated value of \$586,712 for the vacant lot, as discussed next, resulting in a total of \$838,142 rounded to \$835,000 as an average for these 6 homes.

For the 4 homes that were indicated to be 70% completed, I have considered a cost amount of 70% of \$72.45 per s.f. direct costs, or \$50.72 per s.f. on the average home size of 4,346 s.f., or an amount of \$220,429. This is added to the estimated value of \$586,712 for the vacant lot, resulting in a total of \$807,141 rounded to \$805,000 as an average for these 4 homes.

VALUATION, Continuing

Analysis of Vacant Lots

The analysis of the 19 vacant lots is similar to that for the previous product types, and mostly the Kingston product type, with the most supportable value indication based on a .44 finished lot ratio, resulting in the following:

$$\pm \$1,380,000 \text{ avg. sale price} \times .44 = \$607,200/\text{finished lot}$$

The conclusion is a value of \$600,000 per finished lot. Then, a deduction is made for the remaining land development costs and fees to get the lots from as is condition to finished condition. Information provided to the appraiser is that these total estimated remaining costs are \$385,364. These costs have been allocated over the 29 lots that are either vacant or have homes under construction, resulting in an allocation of \$13,288 per lot. The resulting value indication for the as is condition of the lots is \$600,000 less \$13,288, or \$586,712 per lot. For the 19 vacant lots, this results in the following:

19 vacant lots, as is condition @ \$586,712/lot =	\$11,147,528
Rd.	\$11,100,000

Conclusion of Value

Based on the foregoing, the value indication for the as is condition of the subject properties comprising the Avondale product type is calculated as follows:

27 completed-sold homes @ \$1,380,000 =	\$37,260,000
7 completed-unsold homes @ \$1,190,000 =	\$ 8,330,000
6 homes under construction, 80% completed @ \$835,000 =	\$ 5,010,000
4 homes under construction, 70% completed @ \$805,000 =	\$ 3,220,000
19 vacant lots =	<u>\$11,100,000</u>
Value Indication, As Is:	\$64,920,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Avondale product type, subject to the Assumptions and Limiting Conditions, and as of January 15, 2016:

\$64,920,000

(SIXTY-FOUR MILLION NINE HUNDRED TWENTY THOUSAND DOLLARS)

Then, the overall value conclusion is allocated to the individual owners (completed-sold homes) and the SPIC Del Sur, LLC or builder ownership (completed-unsold homes, homes under construction and vacant lots), and also allocated to Developed Property and Undeveloped Property. As previously indicated, the Developed Property comprises 34 lots which includes 27 completed-sold homes (Lots 243 to

VALUATION, Continuing

261, 264, 266 to 270, 278 & 279) and 7 completed-unsold homes (Lots 237 to 239, 262, 263, 265 & 277). The Undeveloped Property comprises the remaining 29 lots which includes 6 homes under construction at 80% completed (Lots 271 to 276), 4 homes under construction at 70% completed (Lots 181 to 184) and 19 vacant lots (Lots 167 to 180, 235, 236 & 240 to 242).

The allocation is as follows:

	<u>No.</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Market Value</u>
<i>Individual Owners (Completed-Sold Homes):</i>	27	\$37,260,000	\$0	\$37,260,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	7	\$8,330,000	\$0	\$8,330,000
<i>Builder Ownership (Homes Under Construction):</i>	10	\$0	\$8,230,000	\$8,230,000
<i>Builder Ownership (Vacant Lots):</i>	<u>19</u>	<u>\$0</u>	<u>\$11,100,000</u>	<u>\$11,100,000</u>
	63	\$45,590,000	\$19,330,000	\$64,920,000

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, 2016.

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
Firestone Building Materials	Penhall International
Foodmaker Realty Corp.	Pic 'N Save Stores
Greyhound Lines	Sargent-Fletcher Co.
Holiday Rambler Corp.	Shell-Western E&P
International Baking Co.	Southern Distributors Corp.
Johnson Controls	Southern California Edison
Kampgrounds of America	The Home Depot
Knowlwood Restaurants	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	NorthMarq
Barclays Bank	Pacific Western Bank
Chino Valley Bank	San Clemente Savings & Loan
Continental Bank	Security Pacific Bank
First Interstate Mortgage	Sunwest Bank
First Niagara Bank	United Calif. Savings Bank
First Wisconsin Bank	Washington Square Capital

QUALIFICATIONS, Page 3

Cities:

Anaheim	La Habra	San Clemente
Baldwin Park	Laguna Beach	San Diego
Buena Park	Lake Elsinore	San Marino
City of Industry	Long Beach	Santa Ana
Cypress	Mission Viejo	Santa Fe Springs
Dana Point	Orange	Stanton
Duarte	Placentia	Temecula
Fontana	Riverside	Tustin
Fullerton	Seal Beach	Yorba Linda

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.	Newhall School Dist.
Anaheim Union High School Dist.	Newport-Mesa Unified School Dist.
Anaheim City School Dist.	Orange Unified School Dist.
Banning Unified School Dist.	Palm Springs Unified School Dist.
Beaumont 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.

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	United Methodist Church
Congregational Church, Fullerton	Vineyard Christian Fellowship
First Church of the Nazarene	Yorba Linda United Methodist Church

Other:

Biola University	Garden Grove Boys' Club
Cedars-Sinai Medical Center	The Sheepfold

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APPENDIX D

MARKET STUDY OF RECENT/EXPECTED ECONOMIC/HOUSING MARKET CONDITIONS

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MARKET STUDY OF RECENT/EXPECTED ECONOMIC/ HOUSING MARKET CONDITIONS

COMMUNITY FACILITIES DISTRICT NO. 15 IMPROVEMENT AREA C

(PORTION OF THE PLANNED COMMUNITY OF DEL SUR EAST)

**PREPARED FOR:
POWAY UNIFIED SCHOOL DISTRICT
SAN DIEGO COUNTY, CALIFORNIA**

**PREPARED BY:
EMPIRE ECONOMICS, INC.
JOSEPH T. JANCZYK Ph.D.**

**JANUARY 29, 2016
(REVISED ON FEBRUARY 8, 2016)**

**THE USE OF THIS MARKET STUDY IS AUTHORIZED ONLY
FOR THE POWAY UNIFIED SCHOOL DISTRICT CFD NO. 15 IA-C BOND ISSUE**

EXECUTIVE SUMMARY

MACROECONOMIC FACTORS

Employment growth, the primary driver underlying housing demand, has been very favorable:

- San Diego County surpassed its prior peak in late 2013, and is now above its prior peak by +77,000, or +5.8%.
- With regards to unemployment rates, San Diego County's is 4.8%, while the Poway area is only 3.1%.
- The City of Poway has about 81,800 employees (full- and part- time) and their average salary level is \$69,171. The economic sector with the highest level of employment is manufacturing, and this also has a high salary level.

Given the strong demand for housing, the “price” that households can afford is determined by various financial factors:

- Real levels of median household income, adjusted for inflation, have been virtually unchanged since 1988.
- Mortgage rates are currently at very favorable levels, approximately 4% versus the long-term average of 7%.
- Furthermore, lenders have recently shown signs of moderately loosening mortgage qualification criteria.

There are various extraordinary factors that are reducing demand for single-family homes in the short-run:

- The share of multi-family/apartments is at very high levels, due to the following:
 - ✓ Millennials have exhibited a strong cultural preference for higher density urbanized housing products.
 - ✓ Millennials also have significant amounts of student debt and so many are deciding to rent instead of owning.
- California homeownership rate, overall, is now near a twenty-five year low.
- Shadow inventory of the “price-bubble” single-family homes that are now rentals – but this is low for San Diego.
- Current perception of low rates of housing price appreciation, reducing the desire for home ownership.

San Diego County Housing Outlook:

The strong level of employment growth is countervailing the extraordinary short-term factors, resulting in the number of new single-family homes increasing from its recessionary low of about 1,800 in 2009 to some 3,000 in 2015, and then returning to its long-term average of 6,000 during the next several years.

MICROECONOMIC FACTORS

Proximity of IA-C to the San Diego County Economic Center:

- IA-C has a very desirable location, due to its proximity to the San Diego-La Jolla's robust economic base.
- This expected employment growth will continue to generate a strong demand for its housing products.

Characteristics of the Projects in IA-C:

There are five residential projects with 279 homes; of these, Carrillo with 16 homes is closed out and the others are still active.

- The active projects have prices of \$1,155,163 for 3,795 sq.ft. of living area, for a value ratio (price /sq.ft.) of \$306.
- Their special taxes amount to \$6,760 per year, or 0.61% of their base prices, on the average.
- The active projects have a very strong correlation (96%) between their housing payments (price and tax liens) and living areas.
- Consequently, these projects are priced competitively with each other.

Equity Levels for Homeowners CFD No. 15 Overall:

The equity level for the households residing in CFD No. 15, as a whole (to ensure a sufficient sample size) were analyzed.

- These households have a loan-value ratio of 61%, so they have protective equity cushion of 39%.

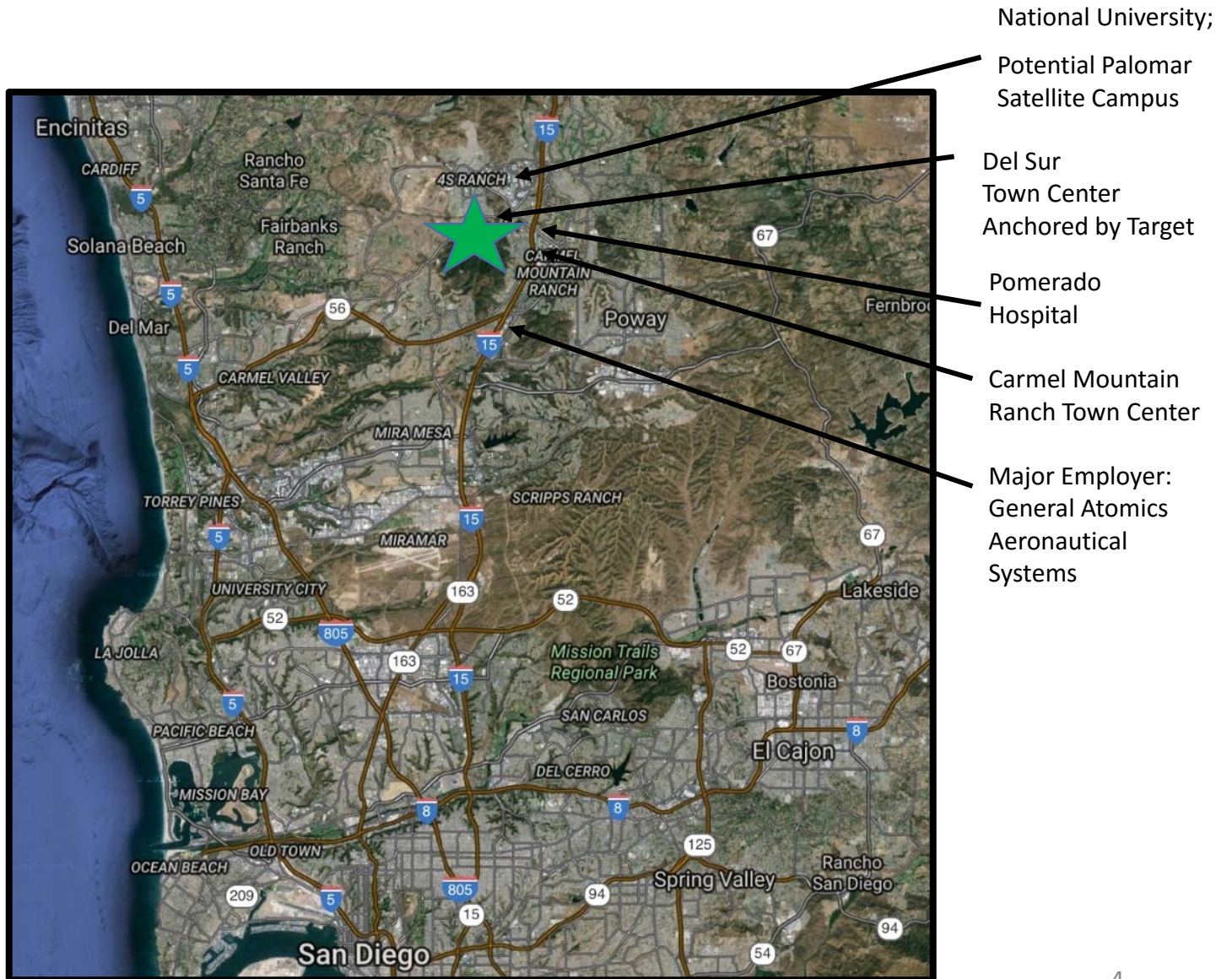
Socioeconomics Factors: Quality of Schools and Crime Rates:

- Poway USD schools' have very favorable API scores of 894/avg., much higher than for California's 790/avg.
- Furthermore, CFD No. 15's schools have relatively high APIs for elementary, middle and high schools.
- The violent crime level per 1,000 residents for Poway is 1.4 which is significantly below the California level of 4.0.

ESTIMATED ABSORPTION OF THE REMAINING HOMES IN IA-C

- Favorable factors are San Diego County attaining a new peak levels of employment since 2013, the Poway area having a very low unemployment rate, the close proximity to the San Diego urban core, favorable mortgage rate levels, and the projects in IA-C closing escrow on 149 homes as of December 31, 2015.
- Therefore, IA-C's absorption prospects are regarded as being favorable, with most of their remaining 130 homes closing their escrows by December 2016, and all of the homes by early 2017.
- So the impact of the extraordinary short-term factors, such as millennials renting instead of buying and the shadow inventory of single-family rental homes among others, are not expected to adversely impact the future absorption rates of the projects in IA-C.
- Finally, the most significant potential financial risk factor would a significant spike in mortgage rates.

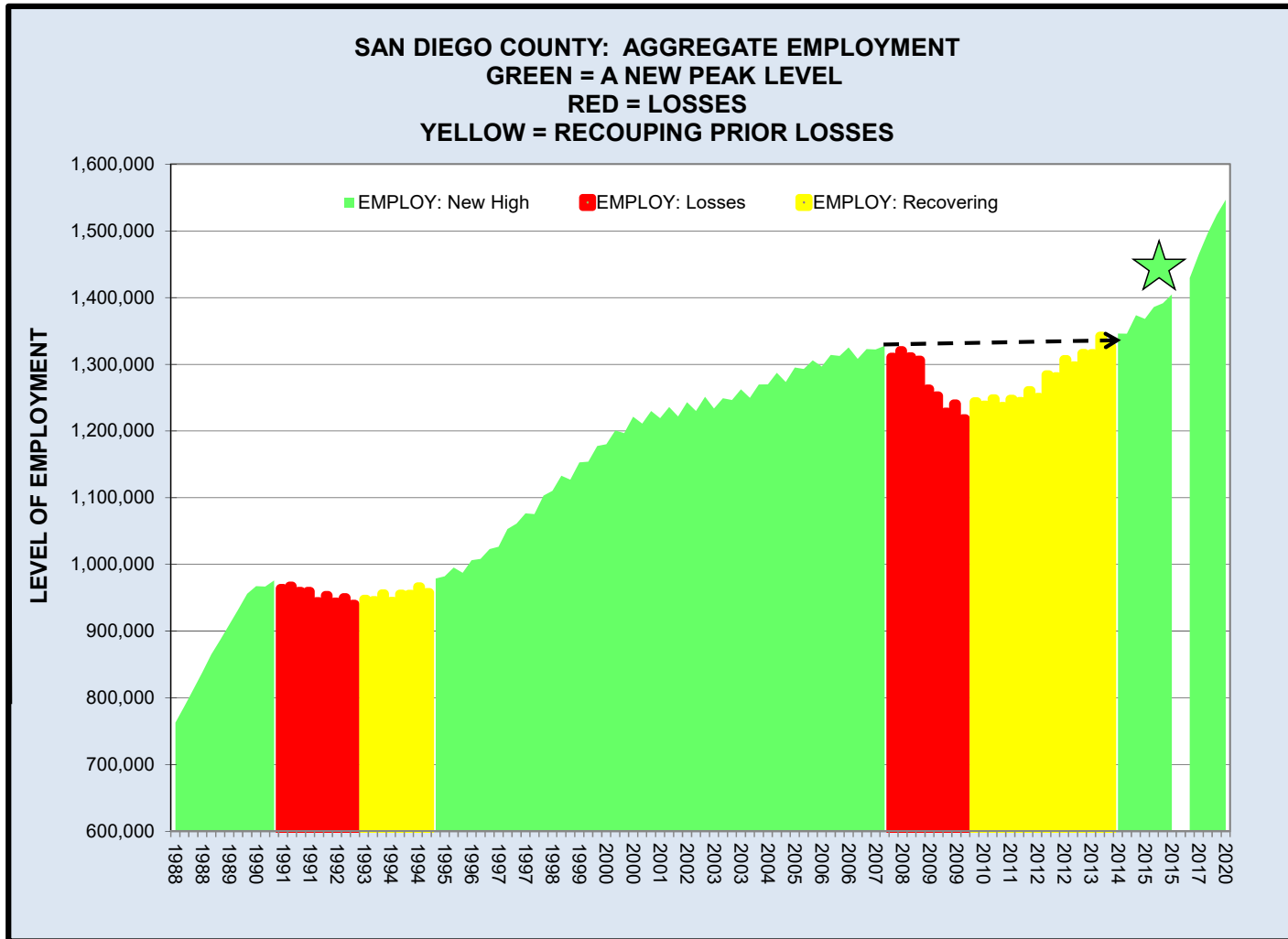
OVERVIEW OF THE LOCATION OF CFD NO. 15 DEL SUR EAST (STAR) AND CHARACTERISTICS OF ITS MARKET AREA



EMPLOYMENT IS THE PRIMARY FACTOR UNDERLYING THE DEMAND FOR HOUSING

SAN DIEGO COUNTY ESTABLISHED A NEW PEAK LEVEL OF EMPLOYMENT IN DECEMBER 2013

THE AGGREGATE LEVEL OF EMPLOYMENT IS NOW +77,000 OR +5.8% HIGHER THAN THE PRIOR PEAK LEVEL

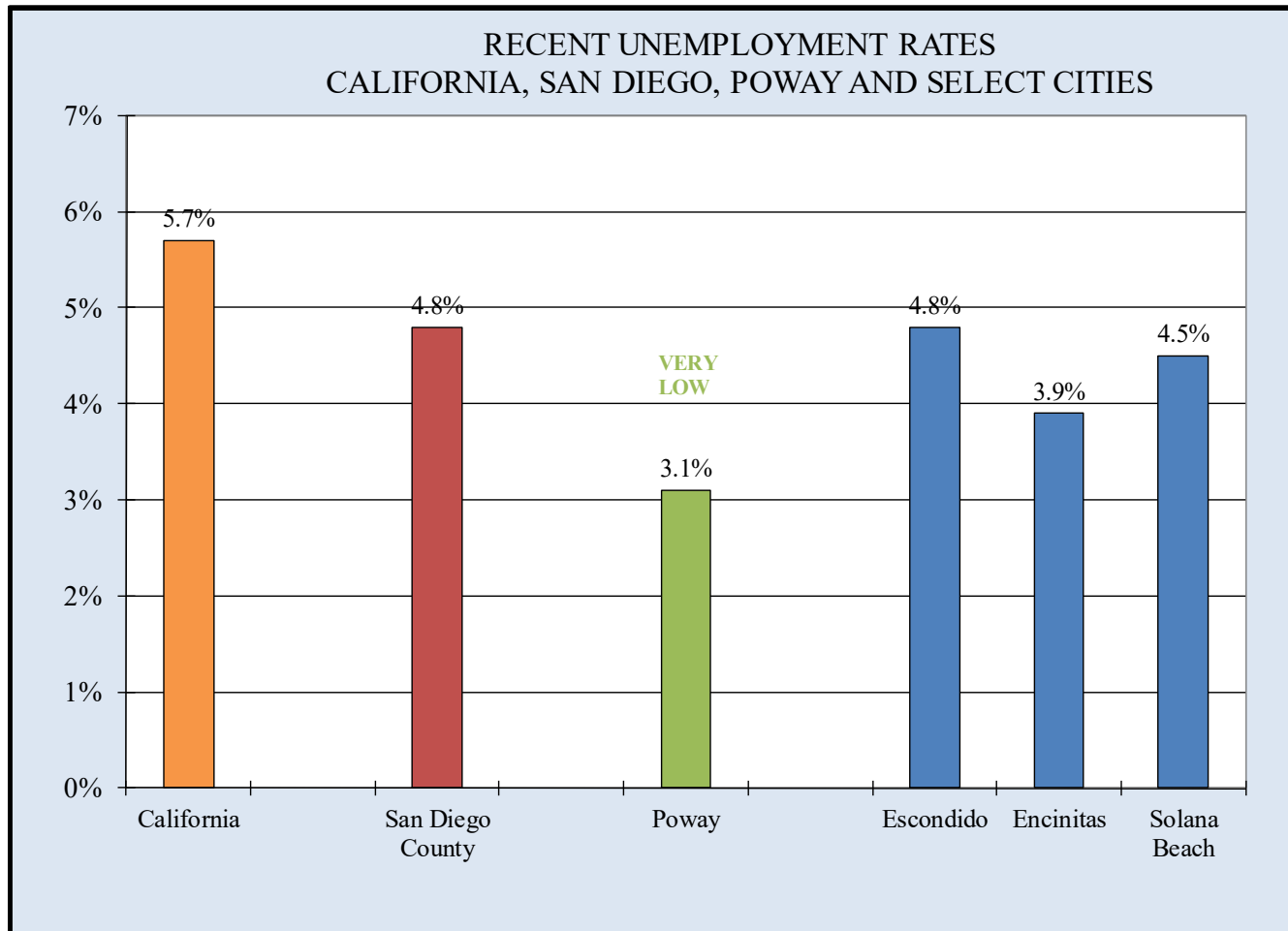


COMPARISON OF RECENT UNEMPLOYMENT RATES

THE UNEMPLOYMENT RATE REFLECTS THE PROPORTION OF HOUSEHOLDS THAT ARE UNEMPLOYED

THE POWAY AREA HAS A VERY LOW UNEMPLOYMENT RATE OR, CONVERSELY, A HIGH EMPLOYMENT RATE

THIS PROVIDES STRONG SUPPORT FOR THE POWAY HOUSING MARKET, SINCE A HIGH PROPORTION OF ITS HOUSEHOLDS HAVE THE ECONOMIC CAPABILITY OF MAKING THEIR MORTGAGE/TAX PAYMENTS.



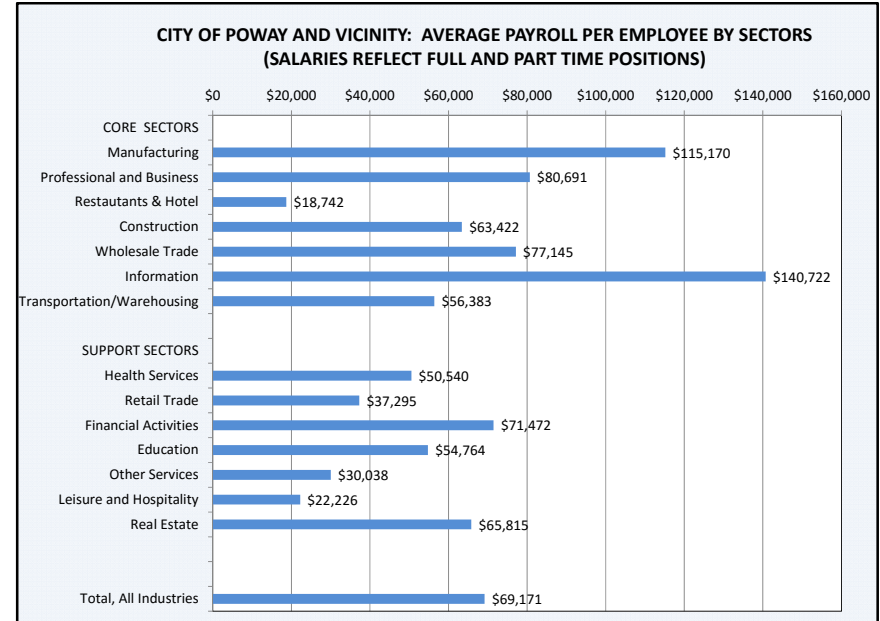
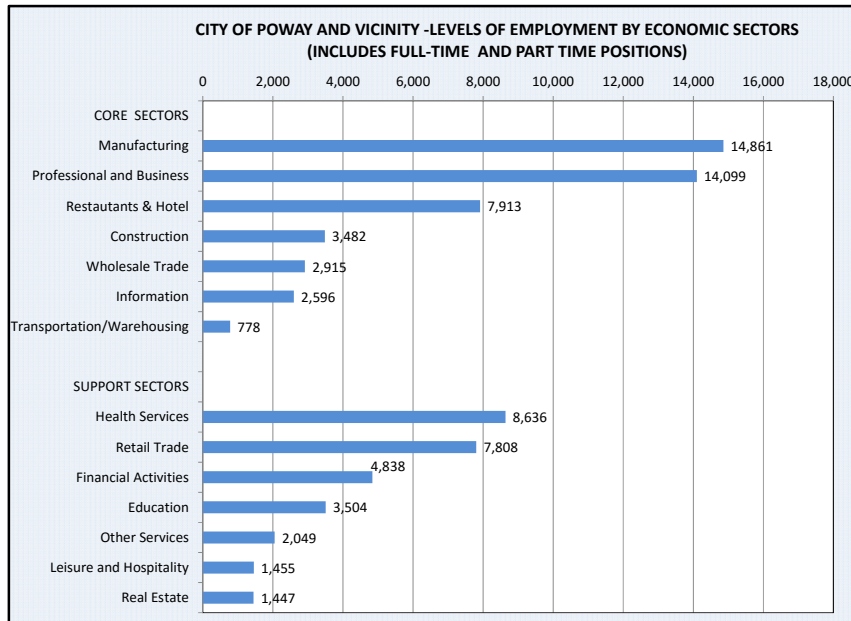
FIRMS LOCATED IN POWAY AND VICINITY: LEVELS OF EMPLOYMENT AND AVERAGE SALARIES (EMPLOYMENT INCLUDES BOTH FULL-TIME AND PART-TIME POSITIONS)

THERE ARE A TOTAL OF 81,800 EMPLOYMENT POSITIONS

OVERALL, SALARIES FOR FULL/PART-TIME EMPLOYEES AVERAGE \$69,171

THE STRONGEST EMPLOYMENT SECTORS FOR FIRMS
ARE MANUFACTURING AND PROFESSIONAL/BUSINESS SERVICES

THE LARGEST EMPLOYMENT SECTOR, MANUFACTURING,
ALSO HAS VERY HIGH SALARIES



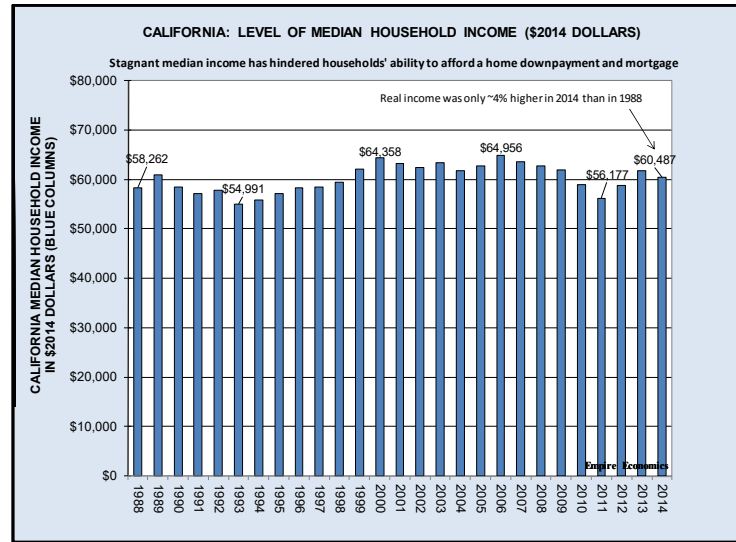
According to the 2014 Comprehensive Annual Financial Report for the City of Poway, the major employers in the City are as follows:

- General Atomics Aeronautical Systems (5,000)
- Geico Direct (1,720)
- Poway Unified School District (1,258)
- Delta Design, Inc. (750)
- Pomerado Hospital (738)

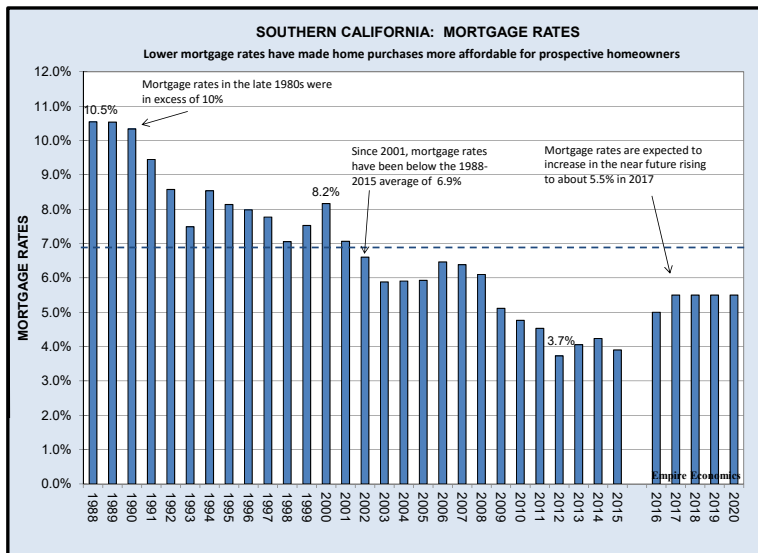
FACTORS OUTSIDE EMPLOYMENT CONTRIBUTING TO HOUSING AFFORDABILITY

THERE IS A STRONG DEMAND FOR HOUSING DUE TO EMPLOYMENT GROWTH.
 THE PRICES THAT HOUSEHOLDS CAN AFFORD TO PAY FOR A HOME
 ARE INFLUENCED BY INCOME LEVELS AND MORTGAGE RATES/QUALIFICATION CRITERIA

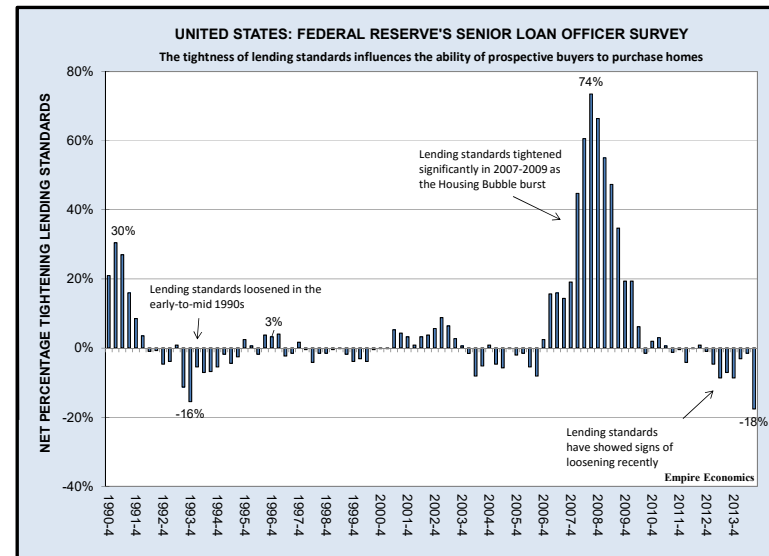
CALIFORNIA'S MEDIAN
 HOUSEHOLD INCOME LEVELS,
 IN REAL DOLLARS HAVE BEEN
 STABLE SINCE 1988!



MORTGAGE RATES
 ARE STILL AT
 FAVORABLE LEVELS



LENDERS ARE MODERATELY
 LOOSENING QUALIFICATION
 CRITERIA



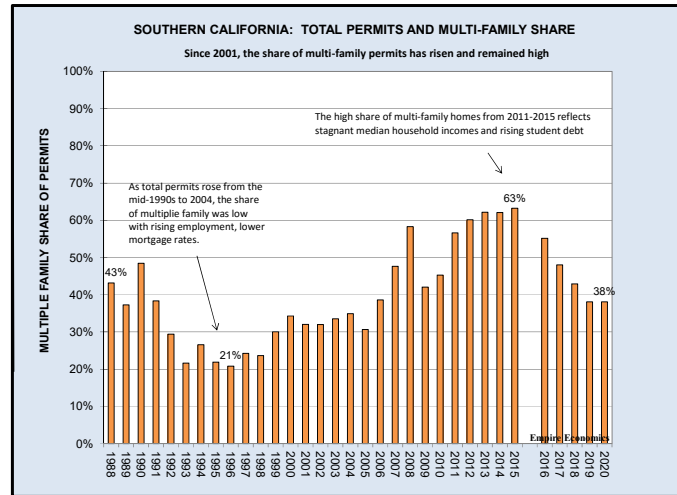
EXTRAORDINARY SHORT-TERM FACTORS CONSTRAINING THE DEMAND FOR HOUSING

ALTHOUGH EMPLOYMENT GROWTH AND FINANCIAL FACTORS ARE FAVORABLE, THERE ARE SOME EXTRAORDINARY SHORT-TERM FACTORS CONSTRAINING THE DEMAND FOR HOUSING

-SECTION 1 ---

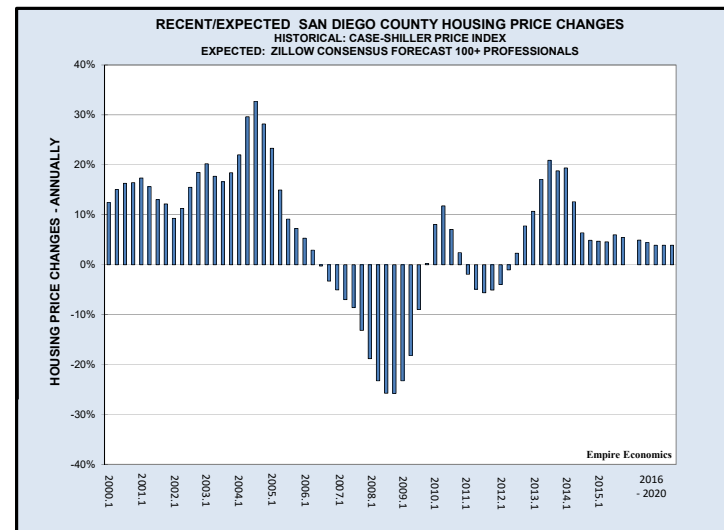
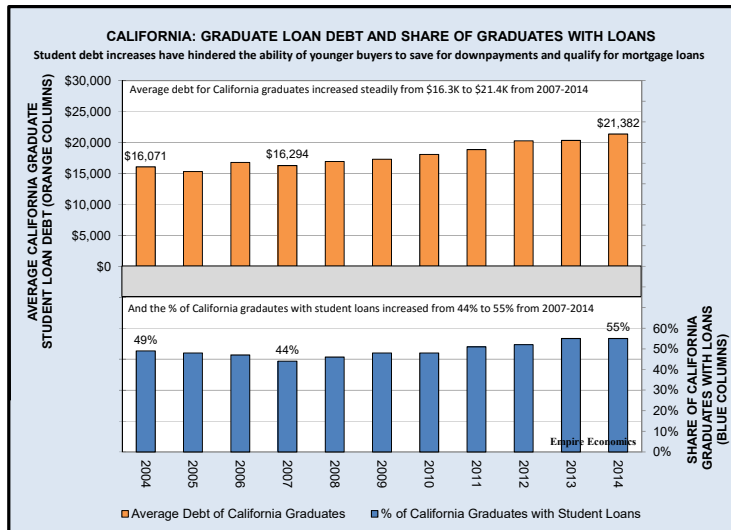
MILLENNIALS, DUE TO CULTURAL PREFERENCES AND STUDENT DEBT ARE RENTING VS. BUYING ADDITIONALLY, PERCEPTION OF LOW HOME APPRECIATION RATES ARE DAMPENING DEMAND AS WELL.

THERE ARE AN INCREASING PROPORTION OF STUDENTS WITH LOANS AND, ADDITIONALLY, HIGHER LOAN LEVELS



MILLENNIALS' ARE RENTING APARTMENTS BRINGING THE SHARE OF MULTI-FAMILY/APARTMENTS TO ALL TYPES OF BUILDING PERMITS TO VERY HIGH LEVELS

WITH RECENT SLOWDOWN IN PRICE APPRECIATION, THERE IS A CURRENT PERCEPTION OF LOW PRICE APPRECIATION



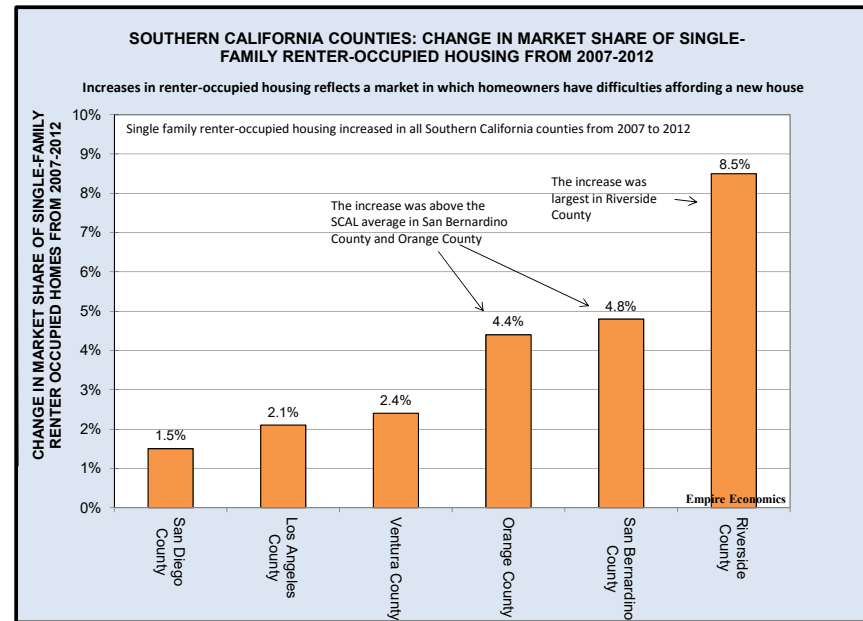
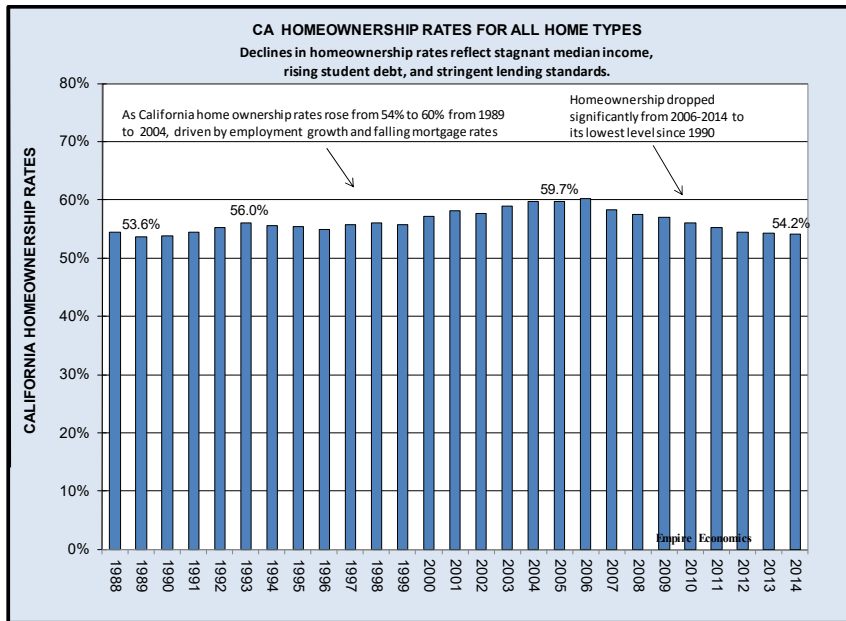
EXTRAORDINARY SHORT-TERM FACTORS CONSTRAINING THE DEMAND FOR HOUSING (CON'T.)

--- SECTION 2 ---

THE RATE OF HOMEOWNERSHIP HAS BEEN DECLINING, RESULTING IN MANY SINGLE-FAMILY HOMES BECOMING RENTALS; EVENTUALLY THIS SHADOW INVENTORY WILL RETURN TO THE MARKET, AND COMPETE WITH NEW SINGLE-FAMILY HOMES

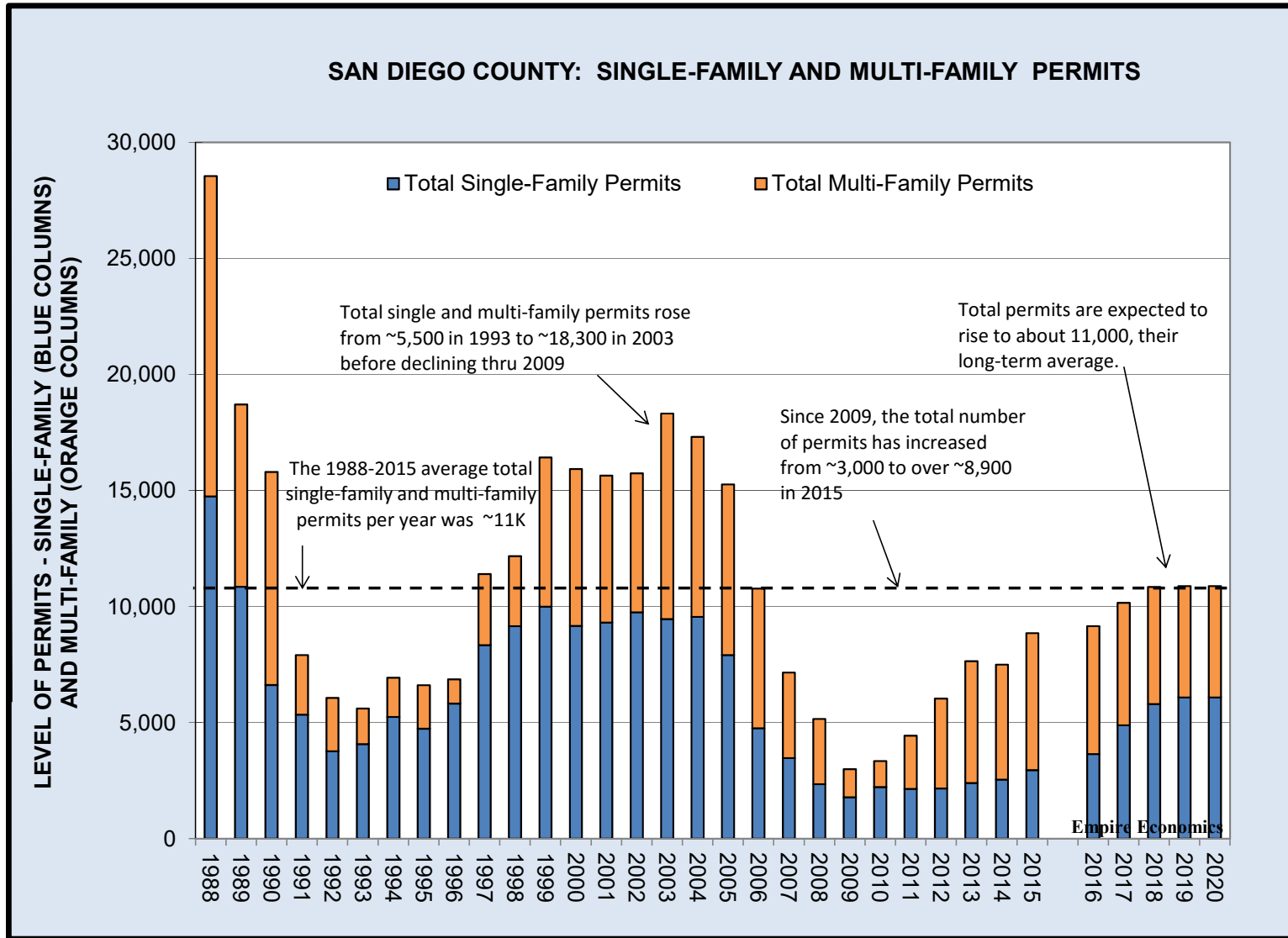
HOMEOWNERSHIP HAS DECLINED FROM A PEAK LEVEL OF ABOUT 60% IN 2005 TO A RECENT LEVEL OF 54%; THEREBY REDUCING THE DEMAND FOR NEW SINGLE-FAMILY HOMES

FOR SAN DIEGO COUNTY, THE INCREASE IN SINGLE-FAMILY SHADOW INVENTORY FROM 2007-2012 WAS RELATIVELY LOW, AT 1.5%, WHICH WAS LESS THAN WHAT WAS SEEN BY OTHER SCAL COUNTIES BUT STILL INCREASED RENTAL HOMES BY ~11,000+



SAN DIEGO COUNTY PERMIT CHANGE OVER TIME

BOTH SINGLE FAMILY AND MULTI-FAMILY PERMITS HAVE RISEN SINCE 2009 AND ARE EXPECTED TO CONTINUE TO INCREASE BACK TO A TOTAL LONG-TERM AVERAGE BY 2018



CFD NO. 15 IA-C PROXIMITY TO ECONOMIC CENTER

IA-C IS CONSIDERED TO BE IN THE SAN DIEGO COUNTY URBAN CORE,
AND SO IT IS IN CLOSE PROXIMITY (20-25 MILES) TO THE
LA JOLLA –SAN DIEGO DOWNTOWN AREA’S ROBUST ECONOMIC BASE

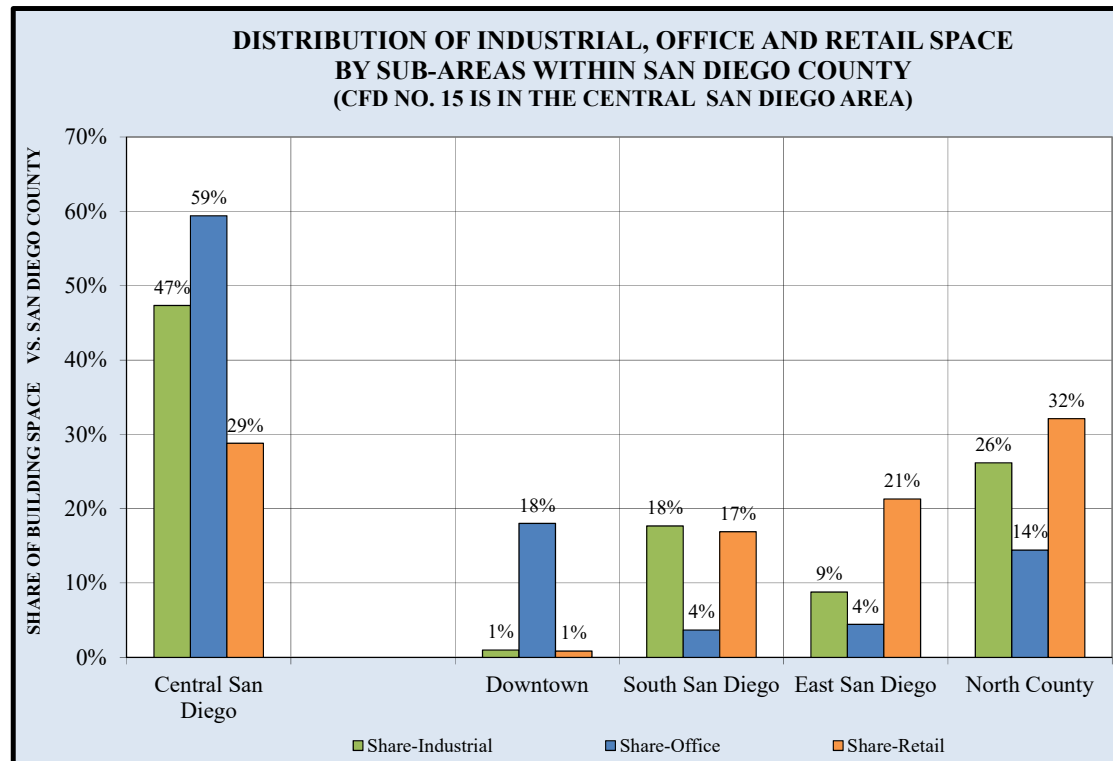
THE CENTRAL SAN DIEGO REGION’S CAPTURE RATES OF SAN DIEGO COUNTY’S NON-RESIDENTIAL DEVELOPMENT
ACTIVITY ARE VERY FAVORABLE FOR OFFICE AND INDUSTRIAL SPACE:

59% OF OFFICE SPACE

47% OF INDUSTRIAL SPACE

29% OF RETAIL SPACE

SO, THE RESIDENTIAL PRODUCTS IN CFD NO. 15 ARE REGARDED AS BEING A PRIMARY CHOICE
FOR MANY HOUSEHOLDS ALREADY EMPLOYED IN THE ECONOMIC CORE

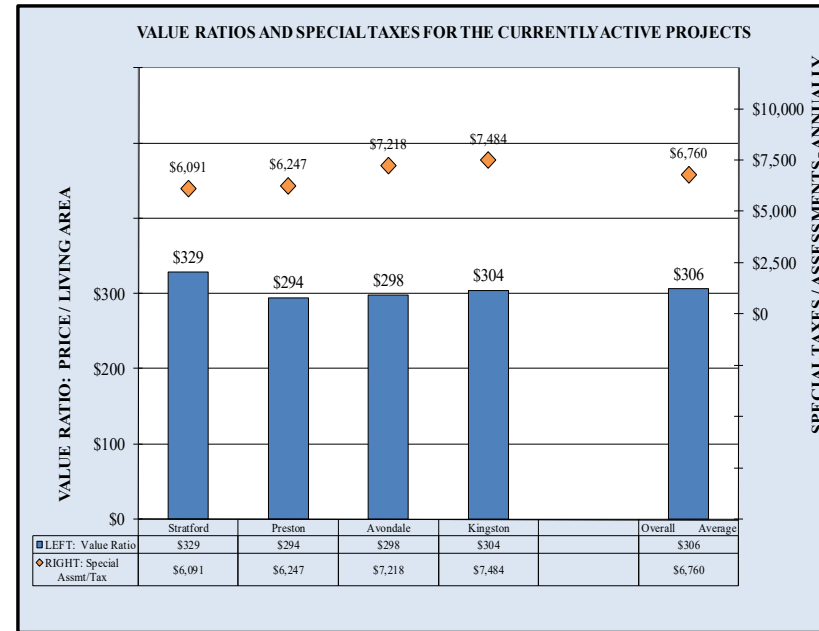
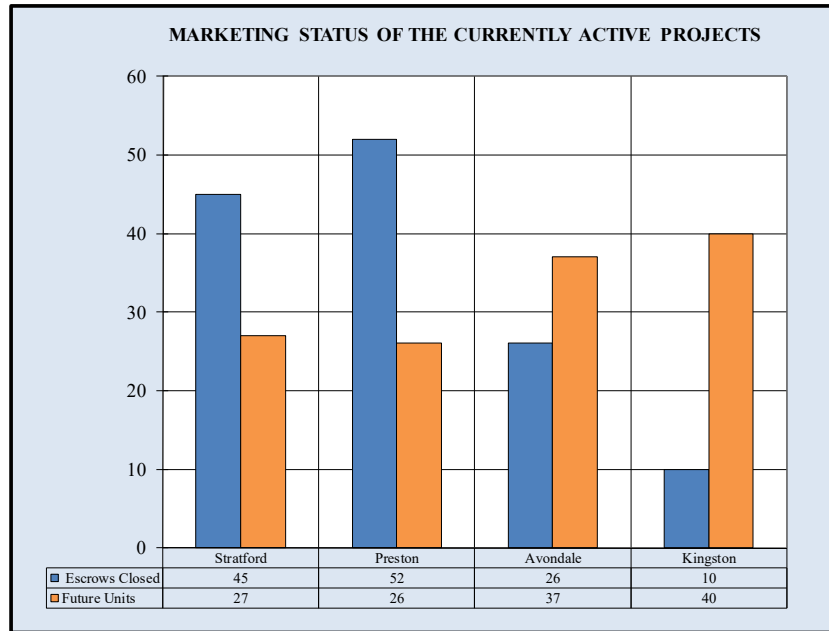


CHARACTERISTICS OF THE CURRENTLY ACTIVE PROJECTS IN CFD NO. 15 IA-C

(NOTE: THE CARRILLO PROJECT WITH 16 HOMES IS CLOSED-OUT)

THE CURRENTLY ACTIVE PROJECTS HAVE 263 (279) HOMES; OF THESE 133 (ANOTHER 16 BY CARRILLO) HAVE CLOSED THEIR ESCROWS, AND 130 ARE FOR FUTURE ESCROW CLOSINGS.

THE CURRENTLY ACTIVE PROJECTS HAVE HOMES THAT ARE PRICED AT ABOUT \$1,155,000 FOR ABOUT 3,800 SQ.FT. OF LIVING AREA, ON THE AVERAGE.



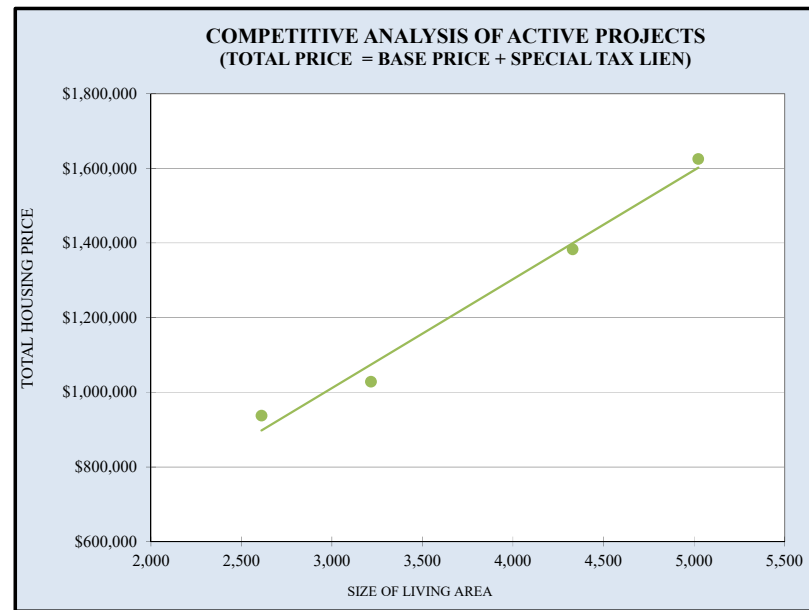
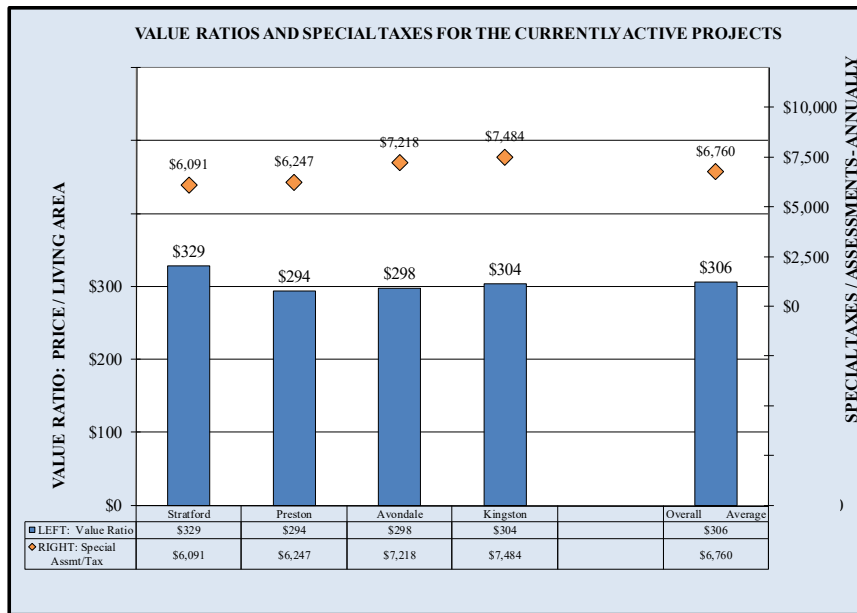
CHARACTERISTICS OF THE CURRENTLY ACTIVE PROJECTS IN CFD NO. 15 IA-C															
Project	Project Name	Project Size and Sales				Housing Prices			Builder	Size of Living Area			Value	Special Taxes (Base Rate = 1.045%)	
		Total	Escrows Closed	Future Closings	Sales Rate/Yr.	Lower	Average	Upper	Incentives	Lower	Average	Upper	Ratio	Amount/Year	Ratio/Price
CFD No. 15: IA-C Detached	Stratford	72	45	27	40	\$841,900	\$857,900	\$873,900	\$7,500	2,537	2,611	2,685	\$329	\$6,091	0.71%
CFD No. 15: IA-C Detached	Preston	78	52	26	45	\$929,000	\$946,450	\$963,900	\$7,500	3,101	3,216	3,330	\$294	\$6,247	0.66%
CFD No. 15: IA-C Detached	Avondale	63	26	37	25	\$1,269,900	\$1,288,900	\$1,307,900	\$7,500	3,883	4,330	4,776	\$298	\$7,218	0.56%
CFD No. 15: IA-C Detached	Kingston	50	10	40	15	\$1,498,900	\$1,527,400	\$1,555,900	\$7,500	4,912	5,024	5,135	\$304	\$7,484	0.49%
Totals/Averages		263	133	130	125	\$1,134,925	\$1,155,163	\$1,175,400	\$7,500	3,608	3,795	3,982	\$306	\$6,760	0.61%

CHARACTERISTICS OF THE CURRENTLY ACTIVE PROJECTS IN CFD NO. 15 IA-C

(NOTE: CARRILLO WITH 16 HOMES HAS CLOSED-OUT)

THE CURRENTLY ACTIVE PROJECTS HAVE VALUE RATIOS (PRICE PER SQ.FT. OF LIVING AREA) OF \$306, AND SPECIAL TAXES OF ABOUT \$6,760 PER YEAR, ON THE AVERAGE, WHICH AMOUNTS TO ABOUT 0.61% OF THE HOUSING PRICES

THE CURRENTLY ACTIVE PROJECTS ARE PRICED VERY COMPETITIVELY WITH EACH OTHER; THE CORRELATION BETWEEN THEIR HOUSING PAYMENTS (PRICES AND TAX LIENS) AND LIVING AREAS IS VERY HIGH, 96%



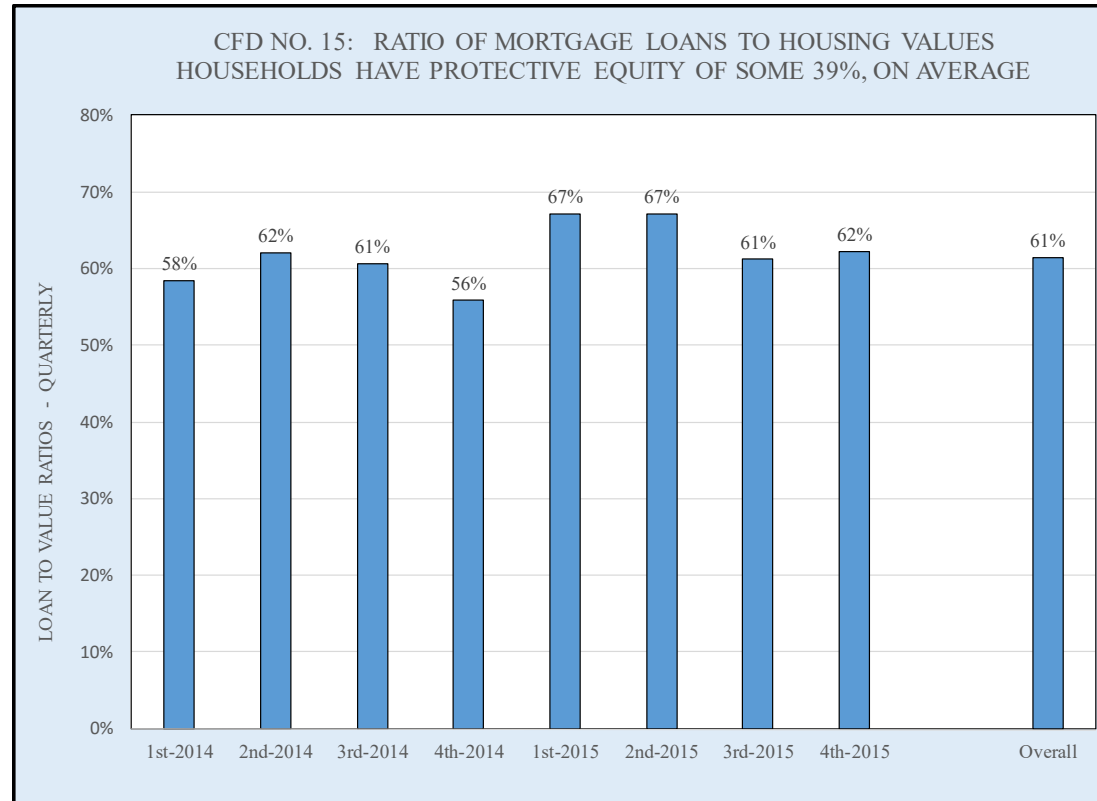
EQUITY LEVELS FOR HOMEOWNERS IN CFD NO. 15

SALES IN THE ENTIRE CFD NO. 15 WERE UTILIZED IN ORDER TO HAVE A SUFFICIENT SAMPLE SIZE

MORTGAGE LOANS: \$689,000
SALES PRICES: \$1,122,000

THE RATIO OF MORTGAGE
LOANS/SALES PRICES
AMOUNTS TO 61%, ON THE
AVERAGE.

SO THE HOUSEHOLDS HAVE
PROTECTIVE EQUITY
OF SOME 39% ON THE AVERAGE.



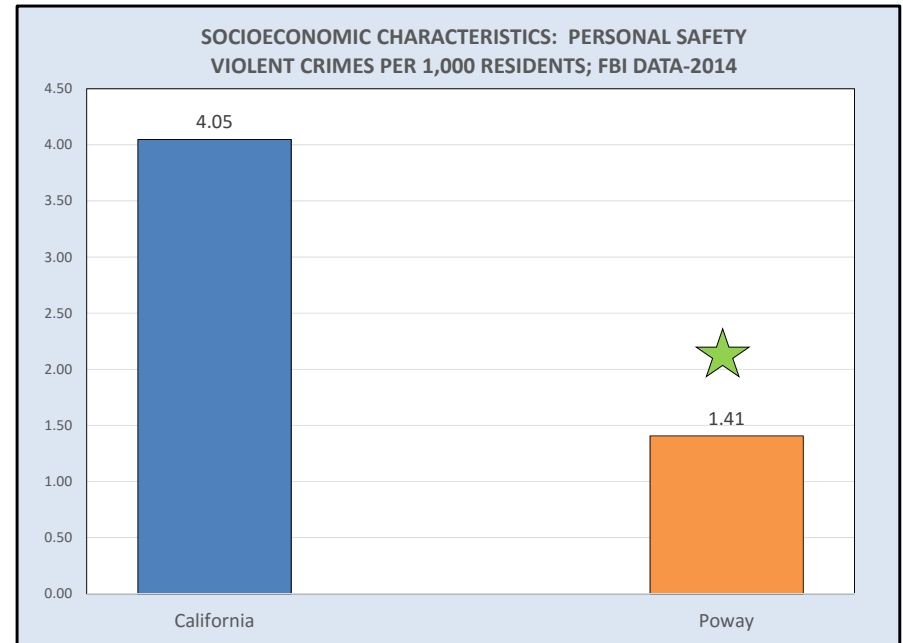
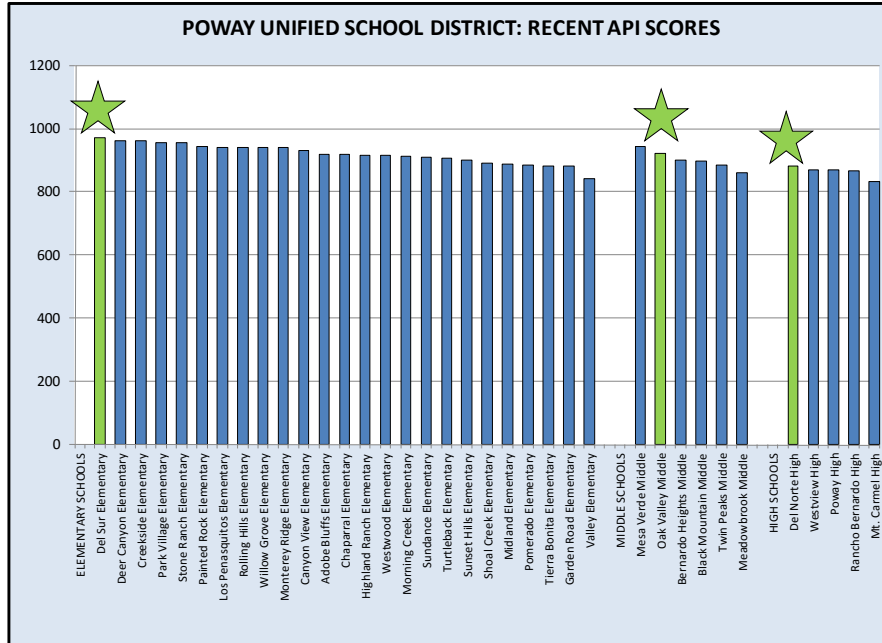
SOCIOECONOMICS FACTORS: QUALITY OF SCHOOLS AND CRIME RATES

THE POWAY USD SCHOOLS HAVE VERY FAVORABLE API SCORES: 894-AVERAGE
THE AVERAGE API SCORE FOR CALIFORNIA IS 790-AVERAGE

POWAY'S VIOLENT CRIME IS WELL BELOW THE CALIFORNIA AVERAGE

FURTHERMORE, CFD NO. 15'S SCHOOLS (*GREEN STARS*) ARE AMONG THE HIGHEST FOR THE VARIOUS GRADE LEVELS

POWAY'S VIOLENT CRIME RATE IS WELL BELOW CALIFORNIA'S RATE



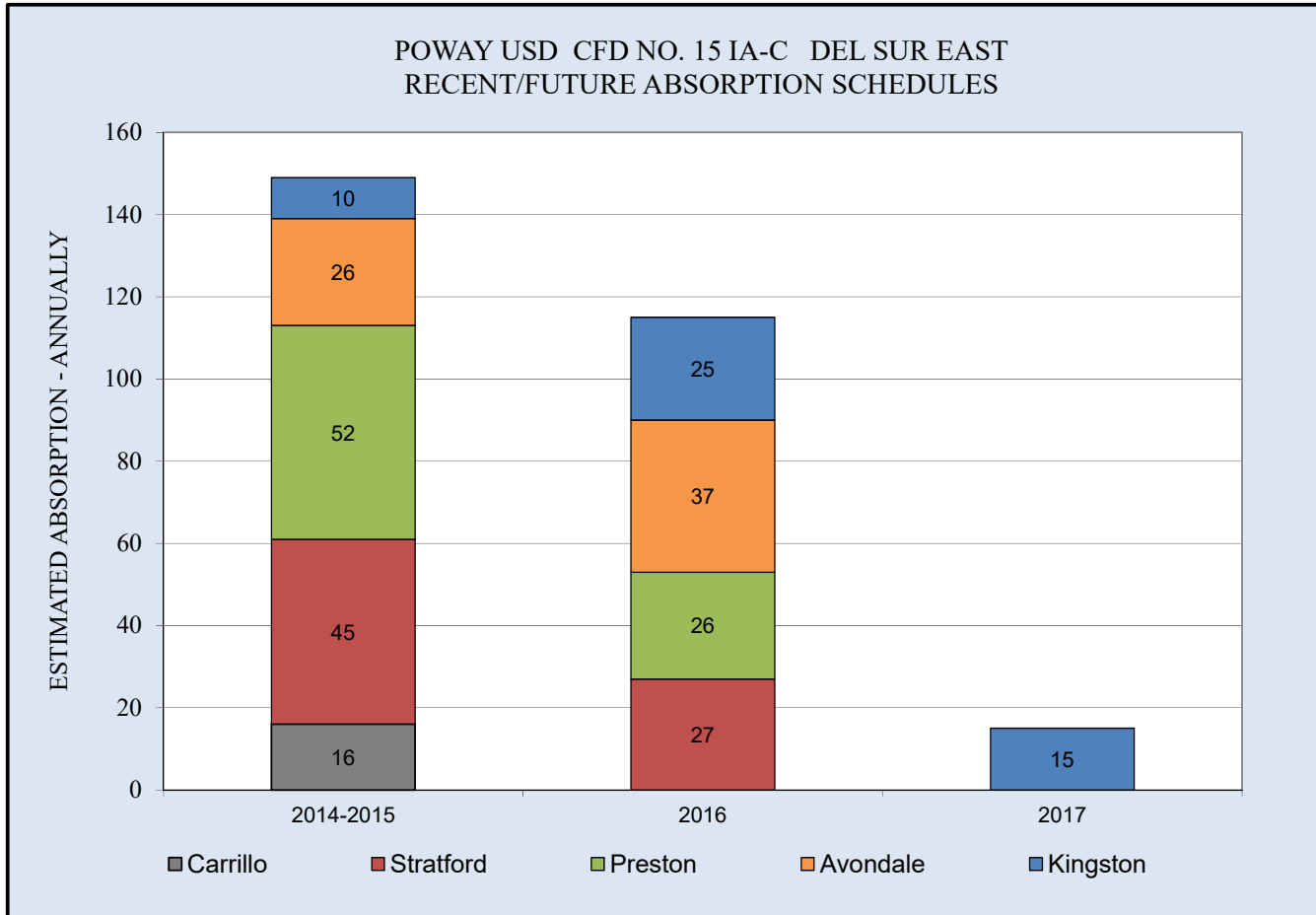
RECENT/EXPECTED ABSORPTION SCHEDULES FOR THE HOMES IN CFD NO. 15 IA-C

THE FOUR CURRENTLY ACTIVE PROJECTS HAD THEIR GRAND OPENINGS IN NOVEMBER 2014

THE FIVE PROJECTS HAVE A TOTAL OF 279 HOMES

AS OF DECEMBER 2015, THESE PROJECTS HAVE CLOSED ESCROWS ON 149 HOMES

MOST OF THE 130 REMAINING HOMES ARE EXPECTED TO CLOSE THEIR ESCROWS BY DEC. 2016



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
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:

State Treasurer Mr. John Chiang; Council of Economic Advisors
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.

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 \$19,897.65 for Fiscal Year 2015-2016 and escalating at 2% each Fiscal Year thereafter commencing in Fiscal Year 2016-2017.

“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 C Special Taxes and preparing the annual Improvement Area C Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Improvement Area C Special Taxes (whether by the County, the School District or otherwise); the costs of remitting the Improvement Area C 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 C Special Tax disclosure statements and responding to public inquiries regarding the Improvement Area C Special Taxes; the costs of the School District, District or any designee thereof related to an appeal of the Improvement Area C 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 C 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 C Special Tax RMA.

“Associate Superintendent, Business Support Services” means the Associate Superintendent, Business Support Services, of the School 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 \$15,000,000 Poway Unified School District Community Facilities District No. 15 (De Sur East) Improvement Area C 2016 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, 2016.

“Building Permit” shall have the meaning given such term in the Improvement Area C 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.

“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 C Special Taxes.

“Delinquency Proceeds” means the net amounts collected from the redemption of delinquent Improvement Area C 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 C Special Tax resulting from the delinquency in the payment of Improvement Area C 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 C 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.

“Fiscal Agent” means Zions Bank, a division of ZB, National Association and any successor thereto.

“Fiscal Year” means the 12 month period beginning July 1 of each year and terminating on June 30 of the following year, or any other annual accounting period 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 C” means Improvement Area C of the District.

“Improvement Area C Improvement Fund” means the fund by that name established pursuant to the Indenture.

“Improvement Area C Special Tax” means the Special Tax authorized to be levied in Improvement Area C to finance the acquisition or construction of the City Improvements pursuant to the Act, the Second Supplement to Mitigation Agreement, and the Improvement Area C Special Tax RMA.

“Improvement Area C Special Tax Fund” means the fund by that name established pursuant to the Indenture.

“Improvement Area C Special Tax RMA” means the Rate and Method of Apportionment for Improvement Area C of Community Facilities District No. 15 of the Poway Unified School District pertaining to the levy of the Improvement Area C Special Tax approved at the special election held in Improvement Area C of the District on December 17, 2012, as may be modified from time to time in accordance with the Act.

“Improvement Area C Special Tax Revenues” means (a) the proceeds of the Improvement Area C 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 September 1, 2016.

“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.

“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 C Special Tax RMA.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Improvement Area C Special Tax Revenues” means Improvement Area C 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" 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 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 C Special Tax Revenues identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Improvement Area C 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 \$1,244,946.54 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 Fiscal Agent.

“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.

“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 C pursuant to the Improvement Area C RMA exceeds the Minimum Annual Special Tax Requirement for any Fiscal Year in which (a) all of the Taxable Property in Improvement Area C is Developed Property, (b) the Bonds have been issued in the maximum principal amount authorized to be issued for Improvement Area C or the Property Owner and District have agreed that no additional bonds, excluding Parity Bonds, secured by the Improvement Area C Special Taxes shall be issued for Improvement Area C, (c) Improvement Area C 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 C RMA.

“Term Bonds” means the Bonds maturing on September 1, 2041, and September 1, 2046.

“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 C Special Tax Fund.

- (a) The District shall, no later than the tenth (10th) Business Day after which Improvement Area C 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 C 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 C Special Tax Fund.
- (b) With the exception of Improvement Area C Special Tax Revenues representing Prepayments which shall be transferred pursuant to the provisions of Paragraph C below, the Improvement Area C Special Tax Revenues deposited in the Improvement Area C Special Tax Fund shall be held in trust and transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:
 - (1) The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the first Improvement Area C Special Tax Revenues received by the Fiscal Agent during such Fiscal Year an amount equal to the Administrative Expense Requirement.
 - (2) The Fiscal Agent shall deposit in the Interest Account of the Bond Service Fund, on each Interest Payment Date and date for redemption of the Bonds, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date.

- (3) The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Interest Payment Date and redemption date on which the principal of the 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) through (3) above, the Fiscal Agent shall transfer the amount, if any, necessary to replenish the amount then on deposit in the Reserve Fund to an amount equal to the Reserve Requirement.
 - (5) On or after September 2 of each year after making the deposits and transfers required under (1) through (4) above, upon receipt of a written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Improvement Area C 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 C 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 C Special Tax Fund, such monies shall remain on deposit in the Improvement Area C 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 C 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 C 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 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).

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 C Improvement Fund. Upon such transfer, the Costs of Issuance Fund shall be closed.

Improvement Area C Improvement Fund

The Fiscal Agent shall, from time to time, disburse moneys from the Improvement Area C 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 C 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 C Improvement Fund to the Improvement Area C Special Tax Fund and the Fiscal Agent shall apply the amount so transferred in accordance with the Indenture. Upon such transfer, the Improvement Area C 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 C 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 C Special Tax Fund, the Bond Service Fund or 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 Permitted Investments in the Reserve Fund shall be valued at their fair market value at least semi-annually on March 1 and September 1. On any date after the transfers 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 C 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 C 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.

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

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 C Special Tax Fund.

Administrative Expense Fund.

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

Investment of Funds.

Unless otherwise specified in the Indenture, monies in the Improvement Area C Special Tax Fund, the Bond Service Fund, the Improvement Area C 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 executed by an Authorized Representative, be invested in Government Obligations or money market funds comprised solely of Government Obligations and 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.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District periodic cash transaction statements, which include detail for all investment transactions made by the Fiscal Agent under the Indenture. The Fiscal Agent shall not be required to provide statements for accounts with zero balances.

Obligations purchased as investments of 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.

The Fiscal Agent is authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Fiscal Agent or for any third person or dealing as principal for its own account.

Amendments or Supplements.

The Legislative Body may, by adoption of a resolution from time to time, and at any time but without notice to or consent of any of the Bondholders, approve a Supplemental Indenture 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 affect the interests of the Bondowners;
- (b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (c) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the interests of the Bondowners; 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 C 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 known by the Fiscal Agent to be owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not outstanding for the purpose of any such determination.

Upon the approval of any Supplemental Indenture 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.

After the effective date of any action taken as provided above, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for that purpose at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds shall be exchanged at the corporate trust office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

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.

Cancellation of Bonds.

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

Covenants.

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 C 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 C Special Tax levied in such Fiscal Year to determine the amount of such Improvement Area C Special Tax actually collected in such Fiscal Year. If the District determines that (a) any single parcel subject to such Improvement Area C Special Tax is delinquent in the payment of such Improvement Area C 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 C Special Tax are delinquent in the payment of such Improvement Area C 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 C Special Taxes remain delinquent. With respect to aggregate delinquencies throughout Improvement Area C, if the District determines that it has collected less than 95% of the Improvement Area C Special Taxes levied in such Fiscal Year, then the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than ninety (90) days of such determination against any parcel for which a notice

of delinquency was given pursuant to this section and for which the Improvement Area C Special Taxes remain delinquent if the aggregate amount collected remains less than 95% of the Improvement Area C 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 C Special Taxes which have, or purport to have, any lien upon the Improvement Area C 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 C 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.

Payment of Principal and Interest. The District will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds issued hereunder on the date, at the place and in the manner provided in said Bonds, but only out of Improvement Area C Special Tax Revenues and such other funds as may be provided in the Indenture.

Levy of Improvement Area C Special Taxes. The District shall comply with all requirements of the Act so as to assure the timely collection of the Improvement Area C Special Taxes. The District shall annually ascertain the parcels on which the Improvement Area C 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 C Special Tax in accordance with the Improvement Area C 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 C Special Tax for the parcels within Improvement Area C for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Improvement Area C 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 C Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and to the maximum extent that the law permits it to do so, the District covenants, that it shall not initiate proceedings to reduce the Maximum Special Tax (as defined in the Improvement Area C 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 Improvement Area C as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as

such term is defined in the Improvement Area C 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 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 C Special Tax RMA or to limit the power or authority of the District to levy Improvement Area C Special Taxes pursuant to the Improvement Area C 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 C Special Taxes pursuant to the Improvement Area C 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 C 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.

CDIAC Filings. Not later than October 30th of each year, commencing October 30, 2016, and until October 30th following the final maturity of the Bonds, the District shall supply or cause to be supplied to the California Debt and Investment Advisory Commission by mail, postage prepaid, the information, if any, then required by Government Code Section 53359.5 to be submitted to such agency.

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 C 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 C Special Tax Revenues to pay the principal of and interest on the Bonds when due.

Miscellaneous. The District shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the District under the provisions of the Indenture. The District warrants that upon the date of execution and delivery of the Bonds, the conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the execution and delivery of such Bonds do exist, have happened and have been performed and the execution and delivery of the Bonds shall comply in all respects with the applicable laws of the State.

Defeasance.

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture, then the Owner of such Bond shall cease to be entitled to the pledge of the Improvement Area C 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 an 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 Improvement Area C 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 or redemption, and if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without discrimination or preference.

Remedies of 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 the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy 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 April 1, 2016, 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 Bank, a division of ZB, National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”) in its capacity as Fiscal Agent (the “Fiscal Agent”), and agreed to and accepted by 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 C 2016 Special Tax Bonds (the “2016 Bonds”);

WITNESSETH:

WHEREAS, pursuant to Bond Indenture, dated as of April 1, 2016 (the “Indenture”), by and between the Community Facilities District and the Fiscal Agent, the Community Facilities District has issued the 2016 Bonds in the aggregate principal amount of \$15,000,000; and

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

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

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

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

“Annual Report” shall mean any Annual Report provided by the Community Facilities District pursuant to, and described in, Sections 3 and 4 of this Disclosure Agreement.

“Annual Report Date” shall mean January 31 next following the end of the Community Facilities District’s fiscal year, which fiscal year end, as of the date of this Disclosure Agreement, is June 30.

“Community Facilities District” shall mean the Poway Unified School District Community Facilities District No. 15 (Del Sur East).

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

“Dissemination Agent” shall mean 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 and the Fiscal Agent a written acceptance of such designation.

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

“Improvement Area C” shall mean Improvement Area C 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 as the original underwriter of the Bonds required to comply with the Rule.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“School District” shall mean Poway Unified School District, Poway, California.

Section 3. Provision of Annual Reports.

(a) The Community Facilities District shall, or, shall cause the Dissemination Agent to, not later than the Annual Report Date commencing January 31, 2017, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB and to the Fiscal Agent an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to the Annual Report Date, the Community Facilities District shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; *provided* that the audited financial statements of the Community Facilities District may be submitted separately from the balance of the Annual Report provided by the Community Facilities District and later than the Annual Report Date if not available by that date. If the Community Facilities District’s fiscal year changes, the Community Facilities District shall give notice of such change in the same manner as for a Listed Event under Section 5(c). If the Dissemination Agent has not received a copy of the Annual Report on or before 15 business days prior to the Annual Report Date in any year, the Dissemination Agent shall notify the Community Facilities District of such failure to receive the applicable Annual Report. The Community Facilities District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Community Facilities District and shall have no duty or obligation to review such Annual Report.

(b) If the Community Facilities District is unable to provide to the MSRB through the EMMA System and to the Fiscal Agent an Annual Report by the Annual Report Date, the Dissemination Agent shall send a notice in a timely manner to the MSRB through the EMMA System, in substantially the form attached as Exhibit A.

- (c) The Dissemination Agent shall:
 - (i) determine each year prior to the Annual Report Date, the electronic filing requirements of the MSRB for the Annual Reports;
 - (ii) provide any Annual Report received by it to the MSRB through the EMMA System and to the Fiscal Agent as provided herein; and
 - (iii) if the Dissemination Agent is other than the Community Facilities District and to the extent it can confirm such filing of an Annual Report, file a report with the Community Facilities District, the Fiscal Agent certifying that an Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

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

(a) If audited financial statements of the Community Facilities District are prepared, the Community Facilities District shall provide such audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If audited financial statements are to be prepared but are not available at the time required for filing, unaudited financial statements shall be submitted with the Annual Report, and audited financial statements shall be submitted once available. For purposes of this section, the financial statements of the School District shall not be deemed to be the financial statements of the Community Facilities District, unless such audited financial statements contain specific information as to such Community Facilities District, its revenues, expenses and account balances. If audited financial statements of the Community Facilities District are not prepared, no unaudited financial statements need be submitted.

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

- (i) Principal amount of 2016 Bonds, and/or any bonds issued to refund the 2016 Bonds, outstanding as of a date within 60 days preceding the date of the Annual Report and the current debt service schedule for the 2016 Bonds;
- (ii) Balance in the Special Tax Fund and the Bond Fund as of a date within 60 days preceding the date of the Annual Report;
- (iii) Balance in the Reserve Fund and a statement of the Reserve Requirement, as of a date within 60 days preceding the date of the Annual Report;
- (iv) While there are funds in the Project Fund, or any accounts or any subaccounts thereof, the balance in the Project Fund, and each account or subaccount thereunder, as of a date within 60 days preceding the date of the Annual Report, and of any other fund or account held under the terms of the Indenture not referenced in clauses (ii), (iii) or (iv) hereof;

- (v) A table summarizing assessed value-to-lien ratios for the property within Improvement Area C of the Community Facilities District based on the applicable land use categories under the Rate and Method of Apportionment of Special Tax for Improvement Area C of the Community Facilities District (the “Rate and Method”). The assessed values in such table will be determined by reference to the value of the parcels within Improvement Area C of the Community Facilities District on which the Special Taxes are levied, as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 2 next preceding the Annual Report Date. The lien values in such table will include all 2016 Bonds outstanding as of a date within 60 days preceding the date of the Annual Report of Improvement Area C, any refunding bonds relating to the 2016 Bonds and overlapping land secured debt;
- (vi) Information regarding the amount of the annual special taxes levied in Improvement Area C of the Community Facilities District, whether in the case of Developed Property the amounts are the maximum available levy under the Rate and Method, the amount collected, delinquent amounts and percent delinquent for the most recently completed fiscal year;
- (vii) A land ownership summary listing property owners, if any, responsible for more than 5% of the Special Tax levy as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within Improvement Area C of the Community Facilities District owned by such property owners, and the assessed value of such property, as shown on such assessment roll;
- (viii) Concerning parcels within Improvement Area C of the Community Facilities District delinquent in the payment of Special Taxes to the Community Facilities District as of a date on or about the immediately preceding July 1 (if applicable), status of foreclosure proceedings, if any, and summary of results of foreclosure sales, if applicable e.g.;
- number of parcels within Improvement Area C of the Community Facilities District delinquent in payment of Special Tax,
 - total of such delinquency and percentage of delinquency in relation to total Special Tax levy,
 - status of the actions taken by the School District and/or the Community Facilities District related to any foreclosure proceedings upon delinquent properties within Improvement Area C of the Community Facilities District;
- (ix) Identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding November 1, if applicable, plus;
- assessed value of applicable properties, and
 - summary of results of foreclosure sales, if available;

- (x) A copy of any report or reports for or concerning the Community Facilities District, with respect to Improvement Area C, as of the immediately preceding October 31, required under State law (e.g., any report filed with the California Debt Investment and Advisory Commission or with the State Controller); and
- (xi) Any changes to the Rate and Method applicable to Improvement Area C of the Community Facilities District approved or submitted to the qualified electors of Improvement Area C of the Community Facilities District for approval prior to the filing of the Annual Report.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Community Facilities District shall provide such further information, if any, as may be necessary to make the statements required under this Section 4, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Community Facilities District or related public entities, which have been submitted to the MSRB through the EMMA System or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Community Facilities District shall clearly identify each such other document so included by reference.

Section 5. 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 2016 Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves (Including, e.g., the Reserve Fund) reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;

- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;¹
- (xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Dissemination Agent shall, within three business days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event and request that the Community Facilities District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (e). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of the Listed Events described under clauses (ii), (iii), (vi), (x), (xi), (xii), (xiii) and (xiv) above shall mean actual knowledge by an officer at the principal office of the Dissemination Agent. The Dissemination Agent shall have no responsibility for determining the materiality of any of the Listed Events.

(c) As soon as practicable so as to satisfy the notice requirements of Section 5(a), the Community Facilities District shall notify the Dissemination Agent in writing of the occurrence of any of the Listed Events. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e). The Community Facilities District shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the MSRB through the EMMA System.

(d) If the Community Facilities District determines that a Listed Event subject to a materiality requirement referenced in clauses (a)(ii), (vi), (vii), (viii), (x), (xiii) or (xiv) would not be material under applicable federal securities law, the Community Facilities District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(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

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.

suitable for filing with the MSRB, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System.

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

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

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Community Facilities District, the Fiscal Agent and the Dissemination Agent may amend this Disclosure Agreement (and the Fiscal Agent and the Dissemination Agent shall agree to any amendment so requested by the Community Facilities District, so long as such amendment does not adversely affect the rights or obligations of the Fiscal Agent or the Dissemination Agent, as applicable), and any provision of this Disclosure Agreement may be waived, *provided* that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2016 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2016 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by owners of the 2016 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the 2016 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the

change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Community Facilities District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(e).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Community Facilities District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Community Facilities District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Community Facilities District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Community Facilities District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding 2016 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) or any owner or beneficial owner of the 2016 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Community Facilities District, the Fiscal Agent or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Community Facilities District, the Fiscal Agent or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. Section 6.08 of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture, and the Fiscal Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded to the Fiscal Agent thereunder. The Dissemination Agent and the Fiscal Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Agreement. This Disclosure Agreement does not apply to any other securities issued or to be issued by the Community Facilities District. The Dissemination Agent shall have no obligation to make any disclosure concerning the 2016 Bonds, the Community Facilities District or any other matter except as expressly set out herein, *provided* that no provision of this Disclosure Agreement shall limit the duties or obligations of the Fiscal Agent under the Indenture. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. The fact that the Fiscal Agent has or may have any banking, fiduciary or other relationship with the Community Facilities District or any other party, apart from the relationship created by the Indenture and this Disclosure Agreement, shall not be construed to mean that the Fiscal Agent has knowledge or notice of any event or condition relating to the 2016 Bonds or the Community Facilities District except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the

determination of the Community Facilities District as to the materiality of any event for purposes of Section 5 hereof. Neither the Fiscal Agent nor the Dissemination Agent makes any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent shall be paid compensation by the Community Facilities District for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Community Facilities District's obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 12. Beneficiaries. The Participating Underwriter and the owners and beneficial owners from time to time of the 2016 Bonds shall be third-party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the 2016 Bonds and shall create no rights in any other person or entity.

Section 13. Notices. Any notice or communications to or among any of the parties to this Disclosure Agreement shall be given to all of the following and may be given as follows:

If to the Community Facilities District:	Poway Unified School District Community Facilities District No. 15 (Del Sur East) 15250 Avenue of Science San Diego, California 92128-3406 Telephone: (858) 679-2778 Telecopier: (858) 485-1388 Attention: Associate Superintendent, Business Support Services
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If to the Dissemination Agent:	Dolinka Group, LLC 8955 Research Drive Irvine, California 92618 Telephone: (949) 250-8300 Telecopier: (949) 250-8301
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If to the Fiscal Agent:	Zions Bank, a division of ZB, National Association 550 South Hope Street, Suite 2875 Los Angeles, California 90071 Telephone: (213) 593-3157 Telecopier: (866) 870-0209
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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 BANK, A DIVISION OF ZB, NATIONAL
ASSOCIATION, as Fiscal Agent

By: _____
Authorized Officer

DOLINKA GROUP, LLC,
as Dissemination Agent

By: _____
Authorized Officer

[EXECUTION PAGE OF CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Poway Unified School District
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 C 2016 Special Tax Bonds

Date of Issuance: April __, 2016

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 April 1, 2016, by and between the Community Facilities District and Zions Bank, a division of ZB, National Association, as Fiscal Agent, and agreed to and accepted by Dolinka Group, LLC, as Dissemination Agent. [The Community Facilities District anticipates that the Annual Report will be filed by _____.]

Dated: _____

[Dissemination Agent]

cc: Community Facilities District No. 15 (Del Sur East)
Stifel, Nicolaus & Company, Incorporated
Zions Bank, a division of ZB, National Association

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 April 1, 2016, by and between Zions Bank, a division of ZB, National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”), in its capacity as 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 C 2016 Special Tax Bonds (the “Improvement Area C 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 Participating Underwriter (as defined below) and the owners and beneficial owners of the Improvement Area C Bonds.

Section 2. Definitions. In addition to the definitions set forth above and in the Bond Indenture, dated as of April 1, 2016 (the “Indenture”), by and between the Community Facilities District (as defined below) and Zions Bank, a division of ZB, National Association, 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:

“CalAtlantic” means CalAtlantic Group, Inc., a Delaware corporation.

“*Community Facilities District*” means Community Facilities District No. 15 (Del Sur East) of the Poway Unified School District.

“*Dissemination Agent*” means Zions Bank, a division of ZB, National Association, 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.”).

“*Improvement Area C*” means Improvement Area C 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.

“*Official Statement*” means the final official statement executed by the Community Facilities District in connection with the issuance of the Improvement Area C Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Improvement Area C 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 (a) the property in Improvement Area C owned by SPIC Del Sur, LLC and, (b) the property in Improvement Area C, if any, owned by any entity related to SPIC Del Sur, LLC or CalAtlantic, provided SPIC Del Sur LLC or CalAtlantic, as applicable, has managerial control of such entity.

“*Report Date*” means April 1 and October 1 of each calendar year.

“*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 C and used to pay debt service on the Improvement Area C 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 October 1, 2016, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB, 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), 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 from SPIC Del Sur, LLC and cannot verify that a Semi-Annual Report has been filed with the MSRB through the EMMA System 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 MSRB through the EMMA System, in an electronic format as prescribed by the MSRB, a notice 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 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 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.

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 promptly give, or cause to be given, after the occurrence of any of the following Listed Events, if material, notice of the occurrence of such Listed Event:

(i) bankruptcy or insolvency proceedings commenced by or against SPIC Del Sur, LLC or CalAtlantic;

(ii) failure of SPIC Del Sur, LLC to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to its Property prior to the delinquency date, to the extent such failure is not promptly cured by SPI Del Sur, LLC upon discovery thereof;

(iii) filing of a lawsuit against SPIC Del Sur, LLC or CalAtlantic (of which SPIC Del Sur, LLC or CalAtlantic 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 due with respect to its Property prior to delinquency or to sell or develop the Property as proposed in the Official Statement or a more recent Semi-Annual Report (the "Development Plan");

(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 or CalAtlantic, on any loan with respect to the construction of improvements on the Property;

(vi) any denial or termination of credit or default under, any line of credit or loan, or any other loss of a source of funds, that is reasonably expected to 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 due with respect to its Property prior to delinquency;

(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 materially adverse to the Development Plan;

(ix) any previously undisclosed legislative, administrative or judicial challenges to development on SPIC Del Sur, LLC's Property, if materially adverse 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) Whenever SPIC Del Sur, LLC obtains knowledge of a Listed Event, 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, with the MSRB in an electronic format as prescribed by the MSRB through the EMMA System, and shall provide a copy of such notice to the Fiscal Agent and the Community Facilities District;

(c) Whenever SPIC Del Sur, LLC obtains knowledge of a Listed Event referenced in items in Section 5(a)(iii) through (x) above, SPIC Del Sur, LLC shall promptly after obtaining knowledge of the occurrence of the event determine if such event would be material under applicable federal securities law; and

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 with the MSRB in an electronic format as prescribed by 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 C Bonds, or

(ii) at such time as Property owned by SPIC Del Sur, LLC and/or CalAtlantic and/or sold or transferred to another merchant builder or developer but is still subject to the undertakings of this Disclosure Agreement under Section 7(b) below 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 has prepaid 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 SPIC Del Sur, LLC hereunder with respect to the property conveyed to such Major Owner may be assumed by such Major Owner, and SPIC Del Sur, LLC'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 Participating Underwriter and for the benefit of the owners and beneficial owners of the Improvement Area C Bonds, containing terms substantially similar to this Disclosure Agreement (as modified for such Major Owner's development and financing plans with respect to Improvement Area C), 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 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 Bank, a division of ZB, National Association. 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 C Bonds, or type of business conducted; and

(b) the proposed amendment or waiver either (i) is approved by owners of the Improvement Area C 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 C 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 C 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. Neither SPIC Del Sur, LLC nor the Dissemination Agent shall have any liability to the owners of the Improvement Area C Bonds or any other party for monetary damages or financial liability of any kind whatsoever relating to or arising from this Disclosure Agreement.

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 C 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 C 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: Associate Superintendent, Business Support Services

If to the Dissemination Agent: Zions Bank, a division of ZB, National Association
550 South Hope Street, Suite 2875
Los Angeles, California 90071
Telephone: 213/593-3157
Telecopier: 866/870-0209

If to the Fiscal Agent: Zions Bank, a division of ZB, National Association
550 South Hope Street, Suite 2875
Los Angeles, California 90071
Telephone: 213/593-3157
Telecopier: 866/870-0209

If to SPIC Del Sur, LLC: SPIC Del Sur, LLC
c/o CalAtlantic Homes
San Diego Division
10610 Camino Del Sur
San Diego, California 92127
Telephone: 858/618-4916
858/618-4912
Telecopier: 858/618-4911
Attention: Vice President - Finance

And to: CalAtlantic Homes
15360 Barranca Parkway
Irvine, California 92618
Attention: Vice President - Treasury

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 C 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: April 1, 2016

SPIC DEL SUR, LLC,
a Delaware limited liability company

By: STANDARD PACIFIC INVESTMENT CORP.,
a Delaware corporation

Its: Sole Member

By: _____
Name:
Title:

ZIONS BANK, A DIVISION OF ZB, NATIONAL
ASSOCIATION,
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 C 2016 Special Tax Bonds

Date of Issuance: April ____, 2016

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 April 1, 2016. [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 Bank, a division of ZB, National Association
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 C 2016 SPECIAL TAX BONDS**

This Semi-Annual Report is hereby submitted under Section 4 of the Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of April 1, 2016, 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 or CalAtlantic Group, Inc., a Delaware corporation (“CalAtlantic”) in Improvement Area C (the “Property”) in substance and form similar to such information in the Official Statement for the Improvement Area C Bonds.

B. Updated information regarding land development and home construction activities with respect to the Property described in the Official Statement for the Improvement Area C 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 for the Property described in the Official Statement for the Improvement Area C 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 C by the Developer or CalAtlantic or sales of land to other developers (other than individual homeowners).

E. A statement as to whether or not the Developer paid, prior to becoming delinquent, all Special Taxes levied on the Property for which the Developer is responsible and if the Developer is delinquent in the payment of such Special Taxes, a statement identifying each entity that is so delinquent, specifying the amount of each such delinquency and describing any plans to resolve such delinquency:_____

II. Legal and Financial Status of Developer and CalAtlantic

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, CalAtlantic or the Property contained in the Official Statement under the heading “PROPERTY OWNERSHIP 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 C 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

[Closing Date]

Board of Education
Poway Unified School District
15250 Avenue of Science
San Diego, CA 92128

\$15,000,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)
IMPROVEMENT AREA C 2016 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 of Community Facilities District No. 15 (Del Sur East) (the “District”) Improvement Area C 2016 Special Tax Bonds in the aggregate principal amount of \$15,000,000 (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. 29-2016 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 March 8, 2016, and the Bond Indenture executed in connection therewith dated as of April 1, 2016 (the “Indenture”), by and between the District and Zions Bank, a division of ZB, National Association, as fiscal agent (the “Fiscal Agent”). 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 C 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 C 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 Improvement Area C 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 2016 Bonds, payment of principal of and interest on the 2016 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2016 Bonds, confirmation and transfer of beneficial ownership interests in the 2016 Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2016 Bonds is based solely on information furnished by DTC to the Community Facilities District which the Community Facilities District believes to be reliable, but the Community Facilities District, the Community Facilities District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2016 Bonds. The 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2016 Bond will be issued for each maturity of the 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2016 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of

the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2016 Bonds documents. For example, Beneficial Owners of the 2016 Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Fiscal Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Community Facilities District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Community Facilities District or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the Community Facilities District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Community Facilities District or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Community Facilities District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the 2016 Bond certificates will be printed and delivered to DTC.

The information in this Section concerning DTC and DTC's book-entry system has been obtained from sources that the Community Facilities District believes to be reliable, but the Community Facilities District takes no responsibility for the accuracy thereof.

Discontinuance of DTC Services

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

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

The Community Facilities District and the Fiscal Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the 2016 Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, redemption price of or interest on the 2016 Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Indenture; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the 2016 Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the 2016 Bonds or the Indenture. The Community Facilities District and the Fiscal Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the 2016 Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The Community Facilities District and the Fiscal Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the 2016 Bonds or any error or delay relating thereto.

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